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*INFORMATION AND SMALL ENTERPRISE DEVELOPMENT IN
BORNO STATE OF NIGERIA*

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A Note on the Naira:

*The Naira (Nigerian currency) value used in this research is the pre-
the creation of the second-tier foreign exchange market in October,
1986, (which allowed the currency to fluctuate in value according to
"market forces"). The value of the Naira used here is about 1.5 Naira
to the Pound Sterling.*

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ABSTRACT

This thesis presents the result of research into small-scale enterprises in Borno State of Nigeria. The development of the small-enterprise sector has been a policy objective in the country over the past decade. Its main contributions are envisaged as creating employment, contributing to industrialisation, spreading industry to rural areas, and mobilisation of local resources. The growth of the sector and its contribution have however, not been as great as desired.

Lack of information and advice for potential and existing small-scale enterprises can restrict their development and growth. This aspect had not previously been studied in depth in the Nigerian environment. This created the need to study the information needs of and sources available to small firm entrepreneurs. The research was concentrated in Borno State. The method of study involved interview with small firm agencies, and, with small firm owner/managers.

The study found that there are quite a number of programmes for assisting small firm entrepreneurs but emphasis is mainly laid in providing material and technical assistance rather than information and counselling. The existing agencies are also found to be constrained in providing effective assistance to small firm entrepreneurs by inadequate organisation. The perceived needs of small firm entrepreneurs on the other hand are mainly related to finding resources. Need for management competence is unrealised or suppressed. They tend to look for information on their perceived needs through local and personal sources and business contacts and are reluctant (due to a lack of confidence) to contact Government sponsored services for assistance.

The main recommendation is for an overhaul of government aided assistance to small firms and a need to stress the development of management competence rather than emphasis on material support. In particular it is recommended that the several existing services be coordinated into an information network of assistance programmes. This will consist of consultancy units, a business information unit, a coordination centre and a credit guarantee scheme.

1 . INTRODUCTION

1.1 RESEARCH AND THE NIGERIAN SMALL FIRM SECTOR

Over the years, the small enterprise sector has been an important area in the development strategies of most developing countries. It requires relatively less capital to start and develop, less sophisticated methods of production and can over time create the necessary foundation for industrial development. It also offers the advantages of employment creation as it is often a labour intensive activity, and facilitates industrial dispersion into the rural areas.

In Nigeria small manufacturing enterprises are regarded as an important part of the country's economic development. They are particularly seen as important in the light of employment generation and rural development.

Many factors including an environment of business culture, availability of capital, incentives for small enterprises etc. contribute to small firms' development and success. Some common constraints identified as inimical to the development of firms in the sector include lack of conducive investment atmosphere and difficulties in administering incentives. Others are poor education, cultural barriers to business success and difficulties in obtaining information for facilitating effective undertaking of economic activities.

An area which has not received much attention is information. Is information available to the firms? Are they constrained in finding relevant resources and information for management development? Do they

know of existing information services and utilise them? From my personal experience as a National Youth Service Corp member attached to the Industrial Development Centre Benin-City, I found signs in many cases that lack of adequate information and effective communication between small firms and services established for their promotion formed a serious problem on the development of these firms. I therefore decided to concentrate my research on the information needs of the small-scale enterprises and the availability of information in Borno State of Nigeria towards the development of the small enterprise sector.

1.2 INTRODUCTION TO THE SMALL-SCALE MANUFACTURING ENTERPRISES SECTOR

An important element of the industrial policy and strategy in the country is the emphasis on the creation and development of the small scale enterprise sector. This sector is important in the Nigerian economy. Numerically, it constitutes a large percentage of the Nigerian economy. For instance, over 70 percent of companies registered in Nigeria (about 19,000 companies) and 218,000 enterprises registered under the Business Names Act in 1976 in Nigeria were classified as small scale. In Borno State, 471 of 490 manufacturing establishments registered with the Ministry of Trade in 1984 were small scale.

The sector's GDP contribution to manufacturing has been rising, though sluggishly in consonance with the general trend in the manufacturing sector, moving from about .N.53 million in 1973/74 period, constituting 0.48 percent contribution to the economy to .N.133 million or 0.75 percent in 1981. Considering the low level of

contribution of the manufacturing sector as a whole in this period, (only 6 percent in 1981) and for the fact that the contribution of most craft and other smaller enterprises other than modern manufacturing are not accounted for, the importance of this sector can not be over emphasised. On the average, small-scale manufacturing firms contributed 8.6 percent yearly to total manufacturing value added between 1974/75 and 1977/78. The sector during the same period grew at the rate of 31.8 percent per year.

In employment terms, small-scale enterprises contributed over 10 million of the 31 million estimated to be in gainful employment in 1980, making about 82 percent of the 12 million that are employed in the non-agricultural sector. The large- and medium-scale industrial sectors employed only 2 million or 18 percent in the same period. In Borno state, small scale enterprises employed 3,739 of total of 6,905 employed in the manufacturing sector in 1984.

The small-scale enterprises sector is also an important training ground for the country's skilled and semi-skilled personnel. For instance between 1972 and 1974, out of a total of about 70,935 employed in manufacturing and mechanical small scale enterprise in five states of the federation, 32,741 or 46 percent were apprentices under training. The apprenticeship system is mainly found in the small scale enterprise sector in the country and has been the first step for many technicians that are presently employed in the large scale and other sectors of the Nigerian economy.

Other contributions that are identified by economic planners with the small manufacturing enterprises sector are competitiveness and flexibility. The sector provides household equipment and consumer products in a variety of areas. Small manufacturing firms dominate in

the activity areas of furniture making, sawmilling, bread baking, tailoring and garment making, metal frames fabrication, concrete and cement block making, and a handful of others. Their competitive advantage arises from their ability to meet the average Nigerians' desire to bargain in price fixing and from the flexibility of the enterprises in producing items suiting the average persons' income and taste. Personal services are also an important competitive instrument in the sector. For instance in the automobile servicing and repairs business, a typical Nigerian would prefer having his car fixed at a small automobile repairs garage where he can use ethnic or other acquaintances to influence the type of service and service charges he receives.

These achievements and expected advantages of the sector notwithstanding, the desire of the Government for a greater contribution of the sector to industrial development has not been achieved. Further effort is required in understanding the problems of the sector as well as the problems of assisting the sector.

Considering the importance of the small-scale enterprises sector, the government found it necessary for a policy towards the promotion of the sector. To make its contribution a reality, the government sought to promote the sector activity through direct and indirect assistance, assistance in the areas of financial support and technical and management consultancy and counselling. A programme of industrial estates was envisaged to provide infrastructural facilities, premises and utilities.

Specific programmes included an allocation in the Second National Development Plan of ₦800,000 to start the development of Industrial Development Centres in strategic centres to provide

services in terms of technical and managerial advice to small scale industrialists. This amount was increased to N.33 million in the Third National Development Plan (1975-80). An allocation of N.20 million was made for a programme of Small Scale Industry Credit Scheme during the same period, which was divided among the then twelve states of the federation for on-lending to small scale enterprises. The Government's credit allocation to the sector during the Fourth National Development Plan period (1981-85) was N.295 million. The Nigeria Bank for Commerce and Industries which was created for the indigenisation exercise was charged with the responsibility for small manufacturing firms. To encourage appropriate credit allocation in the economy in support of the sector, monetary policy guidelines were introduced. The current guidelines (1985) indicated that the minimum proportion of loans and advances that each bank should allocate to the small scale enterprises sector should not be less than 16 percent of the total loans and advances to indigenous borrowers, which should be 80 percent of total lending.

To encourage Nigerians to invest in the small enterprise sector activity, the various state governments were encouraged to move into direct participation by establishing small-scale manufacturing firms more especially in those areas that may have little attraction to the average small investor either due to complexity or longer gestation periods for returns to investment. For example, the Borno state government has since 1982 been actively engaged in this area. It signed with the National Small Scale Industries Corporation of India for the establishment of 17 small-scale manufacturing projects worth about N.10 million, some of which have already taken off (e.g. the

Borno Wire and Nail Firm) and equipment for starting others has been received.

These efforts of the government over the years has not achieved the desired improvement in the growth of industrial development in the country; the small enterprise sector has continued to be plagued by problems. It is in this regard that the study into problems of promoting the sector becomes of importance.

2. LITERATURE REVIEW

The definition of small firms varies in the literature. The two main definitions are those put forward by the Small Business Administration, and, that by the Bolton Committee (1971). The characteristics of the small business were defined as one which is managed by its owner, employing fewer than the average firm in the particular industry, has less capital and limited market share. In the developing countries it is sometimes referred to as the informal sector although such a term is usually associated with self employment and petty production in the urban centres (Hart, 1973).

The subject of small-scale enterprises in developing countries has received attention from various interests and covers various aspects. The studies include those describing the characteristics of firms in the sector, their role in economic development, and constraints on their growth, among others. Many of the studies have led to suggestions as to how small firms could be made to achieve their desired contribution to economic development. Yet the need for research continues because the small firm sector has remained underachieving in many countries that have stressed the need for the growth and contribution of the sector.

2.1 THE ROLE OF SMALL MANUFACTURING FIRMS IN DEVELOPING COUNTRIES

The need for policy towards the promotion of small firms came to a head due to growing need to find solutions to the social and economic problems which have remained endemic in the developing economies (The Fourth National Development Plan, 1981). There was an increasing need for reversing the lack of economic growth, especially structural imbalance that has grown out of earlier industrial policies. In many developing countries initial industrial policies have favoured the spontaneous growth of large-scale manufacturing businesses which turned out to be, in many cases lacking in potential for far reaching economic development. For example in Nigeria, in the Second and subsequent National Development Plans, the effects of earlier industrial and trade policies of import substituting development has been identified as leading to lack of growth in technology, manpower, and of strategically important sectors (The Fourth National Development Plan, 1981, pp.139-141). The industries failed to a great extent to provide employment, develop the rural sectors and provide a far reaching foundation for economic development. In short, it created more long term disadvantages than benefits in many developing countries (Ekuerhware, 1977).

The small enterprise sector in developing countries on the other hand is seen as an alternative that has wider potential for development from the grassroots (Aubrey, 1951, Neck, in ILO, 1977 and Harper, 1984). Neck (in ILO, 1977) identified the importance of the sector as economic and social. He gave the benefits of the sector, among others as:

- (a). the development of a pool of skilled and semi-skilled workers as a basis for future industrial expansion;
- (b). improvement of forward and backward linkages between economically, socially and geographically diverse sectors of the economy;
- (c). non-requirement of some of the sophisticated managerial and technological techniques normally required by larger enterprises;
- (d). opportunities for developing and adapting appropriate technological and managerial approaches;
- (e). increases in savings and investment by local personnel and more effective use of scarce capital;
- (f). increased mobility for the improved development of scarce capital;
- (g). increased mobility for the improved development of natural resources;
- (h). the development of special subcontracting arrangements.

The social importance of the sector he stated as the "improvement in the quality of life", brought about by reducing unemployment, excessive strain on existing infrastructure, and providing for better human relations. These generally are accepted as strong arguments for the promotion of the small enterprise sector in developing countries. (Aubrey, op. cit., Davenport, 1967, Harper, 1985, Ettema 1984, ILO 1961, and 1972, Staley and Morse, 1965).

In the light of the lack of material and industrial manpower resources in the developing countries, the small-scale manufacturing sector is seen as an alternative route to creating the foundation for

development (Aubrey, 1951). It is more especially seen as a source of employment generation (as a measure of arresting the social problem of unemployment in such economies and for creating a pool of necessary experience for industrial take-off). It is also seen as having the potential for facilitating spread of development to rural areas. Hence the sector is widely regarded as a necessary stepping stone to industrial development.

The objective of pursuing a policy of promoting the sector in Nigeria fell very much in line with this general view as was clearly presented in the Third National Development Plan, (1975, p.155) as:

-----the creation of employment opportunities, mobilisation of local resources, mitigation of rural-urban migration, and more even distribution of industrial enterprises in different parts of the country.

2.2 PROBLEMS OF SMALL MANUFACTURING FIRMS IN DEVELOPING COUNTRIES.

Presently, the question of whether small manufacturing firms are important to achieving development aspirations of developing countries does not seem to be a major issue for discussion (as small firms are generally considered important). The major issue is that of the ways for effective realisation of these goals through the growth and development of the small firms sector. The small enterprises sector has failed to develop and produce the intended benefits. Identifying the problems of starting and running a small manufacturing enterprise and the problems of providing assistance to the sector have consequently grown to be the focus of most studies in the area

currently. Such a focus, (i.e looking at the problems of starting and running small firms and problems of assisting them), as I see it should be undertaken from an understanding of the problem in the particular environment.

Although a lot has been written on the development of small enterprises, the studies have been mainly on the provision of material assistance (particularly finance). Little attention has been given to the nature of entrepreneurial information needs of the small firms as a necessary ingredient for successful starting and running of the firm. Little research effort has been directed at ascertaining the availability of information, rather than material support, to the enterprises from governmental as well as private institutions. This perhaps has been as a result of the widespread belief that the obstacles to the success of small enterprises especially in the developing countries arises mainly from lack of resources.

Although this study is on the need for and the availability of information for the success of small enterprises, a natural point to start is looking at the nature of problems identified with small enterprises, generally, and in particular, in developing countries. That small firms in most developing countries are lacking in growth is a commonly accepted thesis. But different studies have emphasised different problems to the success of small firms. The problems often found in the literature as affecting the success of small firms are mainly of two kinds: those problems that can be identified as environmental, (e.g. the effect of government policies, competition, disadvantages in relation to resource acquisition, sometimes due to domination by the large-scale sector firms that small firms are faced

with), and, internal factors, (relating to the competence of the management or managerial inefficiencies of the firm).

2.21 Environmental Obstacles to Small Enterprise Development

The size of small enterprises, though sometimes given as an advantage in that they are flexible and adaptable to changing economic conditions, is often also the root to their disadvantages. This is the implication of the arguments that small enterprises are disadvantaged in their growth and development by some external factors. Due to their small sizes (market, finance, owner dominated etc.) they are disadvantageously positioned in the environment, especially in finding the resources for their development, and competition. The environmental disadvantages to the growth of small firms often mentioned include:

- (a). difficulties arising from their relationship with the large-scale enterprises sector;
- (b). lack of access to resources and markets, (e.g. difficulties in obtaining finance, and raw materials)
- (c). government discrimination and inadequate incentive and support.

2.211 Small and large scale enterprise relationships

In developing countries this problem is mainly discussed in the "formal"/"informal" sector relationship debate. It is necessary to point out that there are differences in the definition of "informal sector activities". For example, the ILO Kenya Mission (1972), considered these as the activities of the urban slum dwellers; Schmitz

(1982) talked of them as small manufacturing firms, while Moser (1978) saw them as "petty commodity producers". Page, (in Schmitz, 1982) who apparently first introduced the term no doubt meant self employment in unorganised small-scale manufacturing and service activities. Since there does not seem to be a universal definition of a small firm in developing countries, and considering the fact that in whatever name the informal sector is addressed it is still seen as an important manufacturing sector, they are to me small scale manufacturing firms.

The main argument is that small-scale manufacturers in developing countries could not possibly grow due to exploitation and subordination by the large scale, formal sector. This exploitation view is the main point of contention by Bienefeld (1975), for example, writing on the informal sector based on his research in Tanzania. He argues (p.55-56) that:

many small scale operators are engaged in a process of production and of technological development but their ability to develop cumulatively over extended periods is limited: by their being exploited through the terms of trade; by their dependence on large scale industry for inputs----and by the fact that when the markets they serve grow beyond a certain size this will not be a gradual but accelerating stimulus to further development of the forces of production. Instead it will trigger a discontinuous shift to 'international' technology which will incorporate this market by virtue of its efficiency and/or its market power, the latter based on effectively unlimited access to capital and on the establishment of brand name products through heavy advertising.

Similar views have been expressed by Leys (in Schmitz, 1982), and Weeks (1975).

The main thrust of this argument is that small firms exist within the constraining influence of, especially, large firms in undertaking their economic activities. This influence is exerted through various dependency relationships including subcontracting and the control of the market for the relevant factors of production (e.g. raw materials and equipment) by large firms. It is contended that small firms are denied growth due to the control of access to resources of production and product market by large firms, and limiting them to petty production (Tokman, 1978). Working relationships between large and small firms (e.g. of subcontracting) are said to be detrimental to the growth of smaller firms as the arrangements only favour large firms. Capital growth in small firms is said to be retarded as they pay dearly for their inputs (often from large firms) but receive far less for their products which are often meant for the lower income groups of the economy, (e.g. factory employees of large enterprises) (Leys, in Schmitz, 1982 Bose, in Mehta, 1985, p.329 and Weeks, 1975, p.4). The lack of growth and development in small manufacturing firms is therefore explained as mainly due to this unfavourable relationship with the formal sector enterprises (Moser, 1978).

Although a lot has been said on the formal/informal sector relationship, the contribution of these discussions to the development of the small firm has been insignificant simply because it has excluded the role of management in the growth of the firm. Nor does the discussion see small-scale entrepreneurship as a competitive organisation which exist in its competitive environment by virtue of

some important advantages it has (e.g. flexibility). Bienefeld's contention for example, neglects the fact that an entrepreneur with the right flair, energy, drive and awareness may be able to anticipate the "discontinuous shift to international technology" in his business or the industry he is operating in. The strategic development approach to business management that is likely to be employed by such an entrepreneur can enable him to place his business in competitive position in his business environment. Yet his education and flair can enable him gain access to sources of capital and markets. Indeed the contention is significantly lacking in empirical evidence and wide open for further research.

Whether the small enterprise in developing countries has failed to grow and make the desired contribution mainly because of its subordination to the large firm or formal sector is also questionable. For example subcontracting between large and small firms in the manufacturing sector in some developing countries, (e.g. Nigeria) is itself underdeveloped - indeed, largely non existent. (Teriba, et al, 1981). The extent of input dependency is also limited. The two sectors are largely independent of each other. The level of exploitation, brought about by such dependency, if it does exist, can only be insignificant. If the small firm is constrained in growth, subordination is an unlikely factor. To argue that the independent small business in Nigeria fails to grow due to some relationship of subordination seems to me lacking in relevance to the development of small firms in the country.

2.212 Lack of access to resources and markets

Lack of access to resources, especially capital, is one other area that has received significant attention as a barrier to the success and growth of the small firms. (Bolton, 1971, OECD, 1971, Osaze, 1981, Wilson, 1979 and others). Small firms generally are said to be disadvantaged in gaining access to financing from private financial institutions and this has been a major factor leading to the instituting of government sponsored programmes. Anderson and Khambata (1981) concluded in their study of small enterprise development in the Philippines (p. 166) that:

-- the large majority are financed by family savings, retained earnings, trade credits and sometimes by borrowings in the informal markets; comparatively little institutional finance is forthcoming, except for that provided through the Government's programs or for borrowers of good standing.

Harper (1985,) also gave several examples of lack of finance among small enterprises in different developing countries. (See also Davenport, 1967). On Nigeria, Aluko (1966) wrote (p.200) on the problem, giving the examples that:

One of the greatest handicaps is the lack of Capital.----Most of the educated entrepreneurs are labouring under a great financial strain. Several would-be entrepreneurs remain inactive for lack of capital. A Nigerian industrial engineer, trained in West Germany, has on his drawing-board the

plans to manufacture antiseptic equipments if he can get an initial loan of about £5,000. Another has been trying to sell his idea for the production of bricks and tiles around Onitsha for some time. Both of them in frustration, are at present, looking for salaried employments after two years in the entrepreneurial wilderness, at great personnel costs and losses.

That small firms have some difficulties in financing appears to be widely accepted, although a few researchers in the area (e.g. Schatz, 1965, and Kilby, 1966, on Nigeria) have contested that the need for finance among Nigerian entrepreneurs is illusory.

Why small firms could not raise funds from private financial institutions has attracted two main arguments. One is the fact that market forces do not favour access to these resources by small firms. The other contends that small firms are discriminated against by the financing institutions.

The OECD (1971), the Bolton Committee (1971), and the Wilson Committee (1979) prominently held the first view, (i.e, that market forces do not favour the small firms in getting finance from the private financial institutions). The main point of their argument is that the small firms are disadvantaged in obtaining finance from financial institutions not because they are discriminated against, but because of the economy of lending which is not in their favour, (i.e. that the small loan requirements of these firms are costly to handle) and riskier. Hence only those small firms that have very promising track records or those with adequate collateral can be provided with finance. Thus for example, the Wilson Committee while agreeing that

small firms are disadvantaged in getting access to finance and other support, it concluded that:

..none of this necessarily constitutes a bias (against small firms by financial institutions). From the point of view of the supplier, the cost of providing finance to small firms is higher and risks may be more difficult to assess... (p. 388, parenthesis added).

The response of private financial institutions to allegations of lack of commitment to financing small firms in developing countries has also emphasized such risks and costs as a discouraging factor. Anderson and Khambata (op.cit., pp.34-35) for instance found in their interviews in the Philippines with financing institutions that:

the cost and time involved in processing a loan for an SSE, without established track record, would be about 2.4% to 3.0% of the loan value as compared to 0.4% and 0.5% for prime and near prime companies respectively....In addition, the risk of arrears and write-offs on SSE loans are higher than on loans to well established enterprises...

Therefore private financial institutions' lending to small firms is limited to participation in firms that have ascertainable risks and success records. This pattern appears to be consistent in many developing countries. Most small firms therefore do not find financial resources for initial and subsequent investment from institutional sources as they do not have the track record, are not exposed to

interaction with private financing institutions, and do not have the collateral to offer. If they do obtain financing from such sources, it is usually at significant cost. Bearing this in mind small firms seem to be at a real disadvantage in financing.

The second view (i.e. that small firms face discrimination from private financial institutions) is characterised in such a question put forward by Schmitz, (1982, pp.441). He asks in his paper

whether the higher interest rates paid by the small producers and their difficulties in gaining access to credit merely reflect an underlying reality of unstable and risky conditions of production (and hence repayment defaults) or whether they are due to distortions in the views and practices of those in charge of the credit institutions.

In many developing countries the latter (i.e. distortions in the views and practices of those in charge of the credit institutions) seems to be the accepted view especially by economic planners and is reflected in the views of the chief of the Kenya Mission (ILO, 1972) as reported in Schmitz (1982), which claims discrimination. Distortions no doubt exist as indicated by lack of creativity and inaction in financing industry by private financial institutions in many developing countries (Nwankwo, 1970, Omopariolla, 1978). Such a view however, seems to shift too much blame to the financial institutions without putting their behaviour into the context of the economic environment they operate in. When one considers the fact that private financial institutions are in the business of making money, their limited lending appears quite justifiable. It can not be expected of any

custodian of other people's resources to expose them to greater risk than can be ascertainable in the economic environment. Such distortions as they exist seem to be a direct result of the unpredictable economic environments of most developing countries. Whether it is discrimination or consideration of market factors that determines their lending to small firms, in the absence of adequate information that would give the assurance for safeguarding their resources, one will not expect greater improvement in that direction.

Although it is clear that small firms are disadvantaged in financing, there is growing evidence that even where facilities are available, they remain largely underutilised due to lack of information and awareness of such sources by the small firms owners (e.g. an information gap as referred to by the Bolton Committee). In addition, research has indicated that a majority of small firm entrepreneurs lack the ability to communicate their financial needs to financing institutions. This for example, is one of the main suggestion made by Osaze, (1981), from his examination of the financial characteristics of some "growth small-firms" in Nigeria. Anderson, (1982), also held a similar opinion, in addition to stressing a lack of information on the small enterprises which would aid the assessment of risks.

In Nigeria, in addition to these factors, economic inefficiencies, created especially by corruption and favouratism, have been identified as a barrier to financing of small firms even when the government has committed schemes for such purposes. Aluko (1966) made the observation that:

hardly are there any loans available to the honest and non-politically aligned businessmen ...in Nigeria, politics controls and conditions business.

Generally, the literature seems to indicate that small firms in developing countries lack adequate financing, that they are disadvantaged in obtaining finance, especially at a cost that is economic for their growth, and this is an obstacle brought about by their disadvantaged economic position in the environment. Further Research is needed in this area into the role of information and the communication abilities of the small firms in their effort to obtain finance since such was only narrowly considered in existing work.

The case of lack of access to markets has received quite less attention than that of finding finance. One of the characteristics of small firms is said to be limited market share (Bolton, 1971). But it is also said that the advantage of small firms lies in their being able to be flexible to suit changes in their market conditions. Small firms may find it difficult to find inputs for production just as they may be faced with in finding finance due to their limited influence. Gaining market acceptance however, is a different thing all together. I cannot see, if small firms are flexible, to be disadvantaged in finding a market niche to take advantage of.

2.213 Government policies and small firms

Another often mentioned environmental obstacle to small firm development in the developing countries is the factor of government "discrimination". Inappropriate government policies and incentive

structures in the developing countries are decried as constituting a barrier to growth of small-scale enterprises (for example, ILO, Kenya Mission, 1971 p.504). Government activities in the developing countries are said to be discriminatory and either completely ignore the small enterprises sector or are designed to favour large-scale enterprises. Such areas as issuance of licences for imports of essential inputs for industries, provision of assistance in the area of industrial infrastructure and incentive schemes are mainly not in favour of the small-scale sector. Indeed as Harper and Soon (1979) found, most small-scale producers in the developing countries see government legislation and incentive structures as perpetrating the dominance of large scale enterprises and as one of the greatest constraints to their success.

The question of government discrimination against small firms has not been extensively researched and is largely open for discussion. Indeed the fact that most modern small enterprises in developing countries are a result of deliberate government promotion effort significantly undermines the contention that the the firms are discriminated against. The effort in many developing countries towards assisting the small firm sector seems to weaken significantly the assertion that calculated discrimination exists against the sector. The problem seems to be the lack of efficient machinery for administering incentives and creating an environment that is conducive to industrial development. Most of the obstacles arising from so called government discrimination appear to have their roots in the process of development. For example, authorities in the LDCs have to decide between taking advantage of the immediate potential of the

large enterprise in meeting import-substituting demands and long term development through industrial growth from the grassroots.

A possible impediment to the success of small firms as far as the role of the government is concerned seems to lie in inconsistencies, and non-clarity in policies which are a common feature of underdeveloped economies. This seems to be a major problem in Nigeria and is an opinion highly held as represented clearly by Chu Okongwu, a former Minister of Economic Development in the country, and currently, a Minister of Finance. He wrote that government policies often contradict deliberate attempts at supporting small firms, by making it impossible for the investor to get the requisite assistance (e.g. licences, permits allocations, approvals, credit). He further observed (Okongwu, 1986) that:

There is without doubt an observed high coefficient of deliberate refusal to cater to the needs of the genuine small industrialist (potential or actual) and an observed counterpart high coefficient of deliberate disposition to favour the non-genuine "businessman," or intermediary, or non-investor - the new and rapidly growing class of individuals, men and women, whose earnings thereby are par excellence pure economic rents - with the components of the incentives package.

An economy where sentiments and official lack of will over-ride even spelt-out government policies certainly stands little chance of attaining growth along the desired path. This lack of clarity and

indeed lack of will in efficient execution of policies constitute a significant barrier to attracting investment of the kind desired for economic development and can indeed be a major obstacle to growth of small-scale enterprises.

2.22 Internal (Managerial) Deficiencies as Barrier to Growth of Small Firms

The Small Business Administration of the United States has reported that 60 percent of failures in small firms in the U.S. were due to lack of management knowhow (in Stephaneck, 1960, p.3). More recently statistics (Dun and Bradstreet in Hodgetts, 1982) showed that, of the underlying causes of failures in small firms, 92 percent have been due to lack of balance of management experience in the various functional areas. Similar conclusions have been drawn in other studies. Litvak and Maule (in Scott, et al. ed., 1986) for example reported that:

inadequate performance of the management function, specifically as it relates to effective decision making and planning, is a primary cause of failure combined with a lack of experience coupled with psychological unpreparedness for the responsibilities of running a business. (p.61)

Some research in the developing countries seems to indicate that internal inefficiencies are a more crippling barrier to the success of

the small firm than environmental factors (e.g. Kilby, 1965, Schatz, 1965).

The problem of lack of management competence in small firm has over the years received as much attention as, (and even seems to have attracted more attention) than the environmental problems. These indicated that as much managerial effort is required as financial resources or other incentives as a growth factor in the small firms (Stephaneck, 1960).

Statistics on the causes of small business failures is mainly on developed countries, (e.g. the Dun and Bradstreet figures, op.cit). Differences in the political and economic environment, and in the availability of information services make the usefulness of such statistics in developing countries doubtful. A number of studies in the developing countries and others have nevertheless advanced certain factors as being the causes of management underachievement in small firms (Altaf, 1983, Anderson, 1982, Curtis, 1983, Egbuta, 1982, Harper and Soon, 1979, Kilby, 1965, Mohammed, 1977, and Nafziger, 1969, 1977). The factors often mentioned include:

- (a). lack of an accounting base for planning and management of the business (Anderson, 1982)
- (b). lack of technical abilities in the production area (Kilby, 1965, Harris and Rowe, in Teriba and Kayode, 1977)
- (c). lack of appropriate business culture (Nafziger, 1969)
- (d). lack of balance in entrepreneurs' skills, insufficient attention to planning, lack of delegation, and management succession problems (Stephanek, 1960)
- (e). lack of business growth objective (Akeredolu-Ale, 1975)

(f). frequent dispersal of effort over several businesses at once (Kilby, 1965,).

Research on some of these factors is quite extensive (e.g. lack of accounting base for planning and management of the business) but others lack empirical examination. One area that has been considered widely is that of "lack of accounting base for the planning and management of the business" (Anderson, 1982), which seems to dominate studies on internal inefficiencies in the small firm sector. Anderson reasons that the causes of the lack of accounting in the firms,

---is partly due --to the point that the accounting profession itself is underdeveloped in most countries and can offer satisfactory services to only a small number of firms. Even in countries where they are available, however, they are little used and seem only to be turned to when the payment of taxes can no longer be avoided, or when a bank loan is required and it is the bank's policy not to lend unless audited statements are available.

Generally, a combination of the factors mentioned are considered as constituting the management deficiency in small firms even though there does not seem to be a consensus as to which of these factors are of greater effect and their causes.

The problem of management competence in small firms (and indeed of industrial development in general) in developing countries is commonly discussed as that of an inadequate supply of effective entrepreneurs in development. It is also difficult to separate the

problem of small firms from those of the entrepreneur. It is therefore, only appropriate for me to proceed from an understanding of the role and the position of the entrepreneur in the development of the small firm in developing countries.

One of the characteristics of small firms is owner management. The entrepreneur is therefore a central figure in the small enterprise. The entrepreneur's key role in the firm can best be introduced with Penrose's (1980) observation that:

The productive activities of...a firm are governed by...its 'productive opportunity', which comprises all of the productive possibilities that its 'entrepreneurs' see and can take advantage of.
....It is clear that this opportunity will be restricted to the extent to which a firm (its entrepreneur) does not see opportunities for expansion, is unwilling to act upon them, or is unable to respond to them. (parenthesis added)

How best a business can be started and developed can be argued as basically a question of the capability of the entrepreneur to overcome the environmental obstacles. The entrepreneur can therefore be said to be the source of success (or failure as may be) in the firm, especially small firms since he is more central to the existence of the firm than, for example, the availability resources without the ability to use them effectively.

2.221. Entrepreneurial functions in the firm

Before moving into the functions of the entrepreneur I think it is important for me to make it clear about whom I am talking. This has become necessary since there has been a lack of consensus as to who and what makes an entrepreneur.

The definition of the term entrepreneur is wide but the main points can probably be summarised as follows:

(a). ownership of resources being employed in business and risk taking,

(b). innovation, performing new combinations, creating and exploiting new and existing but otherwise untouched opportunities,

Variations in these definitions exist in the literature (Casson, 1982, Cole, 1968, Hartmann, 1959, Herbert and Link, 1982, Kirzner, 1973, Leibenstein, 1968, Penrose, 1980, and Scott, 1976). I must say that an entrepreneur is one who has all the attributes mentioned, the quality of whom can be a factor of how well he coordinates the attributes contained in the definitions to successfully achieve his business objectives. Six different types of entrepreneurs have, for example, been suggested by Danhof, and, Narayana (in Garmany, 1972). Danhof suggested that an entrepreneurship can be:

(a). innovating, characterised by the positive assemblage of information, looking for new opportunities, new methods, etc.

(b). imitativative, characterised by readiness to adopt successful innovations introduced by innovating entrepreneurs.

(c). "fabian", characterised by very great caution and scepticism, but which does imitate when it becomes perfectly clear that failure to do so would result in a loss of the relative position of the enterprise.

(d). "drone", characterised by refusal to seize opportunities or to make changes in methods of production or in anything else at the cost of severely reduced returns relative to other enterprises.

Narayana suggested two more types; the "over-cautious" entrepreneur, suggested as in-between fabian and drone, and "parasite entrepreneur", only interested in taking advantage of government support facilities. Generally, an effective entrepreneur is often described as having greater sense of judgement, energy, high in achievement motivation, having enthusiastic drive, foresight, an above average awareness of the environment, and an expert in the art of administration (McClelland 1967, and Herbert and Link, 1982).

In trying to characterise the entrepreneur it is helpful to distinguish him from the manager, the second key role in modern business enterprise. Thus one suggestion that seems to offer a greater potential for defining the entrepreneur is that by Hartmann (1959), whom, like Knight, (in Nafziger, 1977) stresses the ultimate ownership of authority as the basic distinction between management and the entrepreneur.

Ownership of resources is the central point of entrepreneurial power which gives him the ultimate authority on how and where to deploy them. This ownership does not, however, in itself constitute entrepreneurship; it does so only when the resource is employed in

a risky venture. This may appear however like the Schumpeterian capitalist (Herbert and Link, 1982). The distinction is that here the entrepreneur is a "capitalist" with a difference since he owns not only capital, but has the motivation, the ambition and foresight and employs them with a view to scoring an objective (usually growth in his investment). A capitalist may own resources but not necessarily employ them in any ventures. For a capitalist to be an entrepreneur, he must therefore expose his capital to risk of loss, and the consequent risk of personal loss (e.g. loss of fame, status etc.) in pursuance of some ambition. As the propensity to assume risk is found not necessarily to be higher in the entrepreneur, (he is said to be only interested in taking moderate risk [Brockhaus, 1980, McClelland, 1967]), the entrepreneur uses his command of judgement and foresight to employ the best managers as a security against exposing his resources to the exploitation of his goals (speculative activities). The entrepreneur is therefore the highest source of authority in the firm.

The relationship that may come to exist between the entrepreneur and his chosen assistant(s) is that of risk sharing. Due to the fact that the entrepreneur owns the resources to be employed, he wields the authority over the resources and all decisions relating to their use. However, if he had to work with another individual to achieve his goals, one possible way to minimise risk is by relinquishing some authority so that responsibilities given away could be performed with authority by the individual so chosen. Accompanying the level of authority, an equivalent level of risk is however, passed on to the individual which binds him to put in his best to the performance of the task for which he is employed. The entrepreneur (as

in Cyert and March, 1963) gets conformity to the goals in the organization (pp.27-28) by making

payments (wages, interest, love)... to the staff and by a system of internal control that informs the staff of the entrepreneurial demands).

Where such a lieutenant fails to help realise the objective of the entrepreneur, he faces loss. Not only is the authority so given to him withdrawn, he consequently suffers the loss of fame, and status. The growth in the authority and responsibility component in modern management can be seen as a necessary risk sharing phenomenon that has come to being as a result of entrepreneurs' moderate attraction to risk and their above average foresight and awareness.

Thus it can be argued that the authority component arising from the ownership of resources separates the entrepreneur from the manager. The manager is only given authority as a consideration for taking part in employing the owner's resources and sharing the risk of losing it. The level of authority given is dependent upon the competence expected of him, (i.e., how much risk he may be capable of averting). The entrepreneur therefore is the authority in the firm. The manager is a delegated authority. Thus the two are distinct.

Most current writers on entrepreneurship seem to agree that the role of the entrepreneur in the business organisation has growingly been delegated to management. The focus on defining the term 'entrepreneur' has therefore shifted to attempts at drawing a line between the "functions" of the entrepreneur as distinct from managerial functions in the organisation. Quite a number of attempts

in this direction have been made, important among them are by Kilby, (1971), and Penrose, (1980).

The distinction between management and the entrepreneur is far more obscure in small businesses where the entrepreneurs are the central actors. A small firm is widely characterised as a one-man-show, at most with the assistance of a hand or two. (Bolton Committee, 1971). The owner/manager is therefore an entrepreneur with absolute and direct authority over the activities of the firm. He shares little authority with outsiders and therefore assumes all risks. His motivation, and ability in managing therefore, is of prime significance to the growth and development of the firm.

Penrose, (1980) in her work on the theory of the growth of the firm, differentiated the functions of an 'entrepreneur' from that of management, giving the services expected of the two kind as:

--- Entrepreneurial services are those contributions to the operations of a firm which relate to the introduction and acceptance on behalf of the firm of new ideas, particularly with respect to products, location, and significant changes in technology, to the acquisition of new managerial personnel, to fundamental changes in the administrative organization of the firm, to the raising of capital, and to the making of plans for expansion, including the choice of method of expansion.----managerial services --relate to the execution of entrepreneurial ideas and proposals and to the supervision of existing operations-.

Penrose went further to say that these functions may be performed by the same person(s), (i.e. by "management") in the firm but pointed to the over-riding role of the entrepreneur (p.35) by saying

the managerial competence of a firm is to a large extent a function of the quality of the entrepreneurial services available to it.

Penrose's contribution does not vitiate my earlier attempt at differentiating management from entrepreneurs. It only shows the extent to which the two functions are interwoven in pursuing the entrepreneurial objectives. The enterprise requires two separate abilities, the competence of management and the enterprise of management (Penrose, *ibid*).

An important work which spelt out the functions of an entrepreneur is that by Kilby (1971). He elaborated the functions of the entrepreneur as consisting of various activities including:

(a). *Exchange Relationships:*

- (i). perception of market opportunities
(novel or innovative)
- (ii). gaining command over scarce resources
- (iii). purchasing inputs
- (iv). marketing of the product and
responding to competition

(b). *Political Administration*

- (i). dealing with the public bureaucracy
(concessions, licences, taxes)
- (ii). management of human relations within
the firm
- (iii). management of customer and supplier
relations

(c). *Management Control*

(i). *financial management*

(ii). *production management (control by written records, supervision, coordinating inputs flow with orders, maintenance)*

(d). *Technology*

(i). *acquiring and overseeing, assembling of the factor*

(ii). *industrial engineering (minimising inputs with a given production process)*

(iii). *upgrading process and product quality*

(iv). *introduction of new production techniques and products.*

The extent to which these activities are covered by the entrepreneur in the business enterprise depends, as Kilby explained, on the scale of operation, the availability of the managerial function in the market and the ability of the entrepreneur in using the available external managerial functions to the benefit of his enterprise.

In the developing countries, where material as well as manpower resources are limited, indigenous entrepreneurs find themselves constrained in undertaking economic activities effectively. The small enterprise is worse off since it tends to be poorer in resource ownership and perhaps lacks the awareness of the need to use external managerial competence. The owner/managers in most cases have to undertake these functions in totality by themselves. This can be an effective barrier to their success due to the nature of need that is exerted on them through their firm's lifecycle. The entrepreneurs for instance need not only to start well. Since the firm, like the product

it produces and sells, moves through a lifecycle (see Levitt, 1965 for the concept of the product lifecycle, and Churchill and Lewis, 1983, on the small firm) the management requirement for the performance of the specified functions differs through the stages of growth (Kroegeer, 1974). With the changes in the stages of the firms growth, extra need is exerted on the management of small firms. Problems requiring greater managerial talent may have to be faced, (e.g. falling sales, greater competition, having to deal with expansion, introducing new or improved products) with every change in the firms' stage of lifecycle (Vozikis and Glueck, 1980). How well the entrepreneurs perform these functions significantly constitute the growth factor in the small firm. Lack of competence in undertaking these functions effectively can constitute to a greater extent the deficiencies in small firms.

2.222 Entrepreneurial deficiencies in small firms in Nigeria

In Nigeria the main references in the area include studies by Nafziger (1977), Akeredolu-ale (1975), Kilby (1965, 1966), Osaze (1981), and Aluko, (1966). These studies are not on the small enterprise sector as such (except Osaze's which is on "rapid growth small firms"), but of a much wider area of indigenous entrepreneurships. Their contributions are nevertheless important since a significant proportion of indigenous enterprises in the country are relatively small scale. In all of the studies the problem of managerial deficiency was highlighted as the barrier to the growth of the indigenous sector firms. Indeed some even concluded that there are no resource limitations on the growth of enterprises in this sector, and asserted that the problem is mainly lack of management (Schartz, 1965 Harris and Rowe 1977). Osaze (1981) believed in the existence of

some management deficiency aided by some environmental constraint in the small firms.

However, a significant part of the literature on Nigeria seems to underscore lack of technical skills, in addition to an impliedly inherent management lack of competence, as the main deficiency in the running of indigenous, especially manufacturing firms. Kilby (1971) for example, from his study of the bread industry and observations from other studies on Nigerian entrepreneurship wrote (pp.30-31) that:

.....in the baking industry the writer documented the loss of three-quarters of potential profits to raw materials wastage, damaging of bread during baking, and extensive employee pilferage. Lawrence Okigbo found that over half of Nigeria's sawmills were operating at less than 50 percent efficiency during the hours in which they were in use; and Harris and Rowe report that, combining efficiency with hours utilized, 'most Nigerian sawmills are producing only 10 to 20 percent of the lumber that the installed machines are capable of producing.' Comparable magnitudes of underutilization were found in the rubber creping industry.....

The factors which lie behind such poor performance are, on the production side, failure to regularly maintain equipment, inadequate coordination of raw material purchases with product orders, a disinclination to utilize written records for purposes of control, and the absence of conscientious supervision in the workplace.

Kilby's observation seems to indicate negligent management rather than the absence of competence in running the businesses. Harris and Rowe

(in Teriba and Kayode, 1977) found that the entrepreneurs for the most part, do not

----understand how to delegate authority and yet keep control...and they have made little effort to train supervisors and managers.

They considered these

serious defects in technical and managerial competence....potentially remediable through additional experience, competitive pressure, and technical assistance.

Page and LeCraw (in Anderson, 1981) made similar observations in Ghana and Thailand respectively. LeCraw suggested

more extensive information for prospective investors on appropriate technology and training for managers, engineers and workers in its use.

Akeredolu-Ale (1975) observed that the deficiencies are due more to lack of business growth objectives among Nigerian entrepreneurs. He observed for instance that:

---the pattern of their lives and some aspects of their organizational practice (for example the reluctance to enter into partnership with others, the extreme reluctance to delegate responsibility to others, the tendency to reserve the leadership of the enterprise to one's blood relations) compel us to hold that they are ruled by the less-expansive profit-for-self-and family gratification philosophy of participation----than by the profit-

for-business-growth or some other expansive philosophy which is saving-abstinence oriented.

Lack of accounting and book-keeping has surfaced in all the studies as an impediment to the success of the indigenous firms. Other factors mentioned in Nigeria are lack of education and traditional lifestyles which are not suitable to business undertaking (kilby, 1965). Some studies however, indicated no significant differences between the educated and the lesser educated entrepreneurs in how they run their businesses (e.g. Akeredolu-Ale, Nafziger op.cit.). Similarly, high levels of acceptable business culture, beneficial to the growth of the indigenous sector enterprises have been found especailly among some communities that appear to dominate in entrepreneurial activities (Nafziger, 1969).

In all however, the management problem of the small enterprise is shown to be multi-facetted. The impression generally is that of lack of adequate management to engineer growth in the indigenous sector enterprises. A major criticism of these studies must be their lack of distinction between different sizes of indigenous enterprises. Another is their lack of in-depth consideration of important factors like the role of availability of information, location, education, and some other relevant environmental factors. The methodology of some of the researchers which limited their empirical studies to the analysis of small firms' financial records can also be criticised on the basis that it limited their findings to what is obtaining in fairly successful small firms (since they have relatively good accounting systems), leaving out those that do not even have the records to be analysed.

An important area that one might want to see being explored further in research in the indigenous sector enterprises is the role of education in creating entrepreneurial awareness of the businesses environment. Education can be an important success factor in the small enterprise especially in developing countries. A caution must be inserted to the effect that I am not in any way implying that the more educated entrepreneur is the more successful in business enterprise. The flair for entrepreneurship is perhaps more to do with natural talents and possibly as a result of upbringing in a business culture than education. However, the fact that education is a gate to greater awareness cannot be disputed. There is no doubt that the more educated an individual is, the wider his sphere of knowledge, the more likely he will be successful in communication, and the more advantaged in reading manuals, journals, etc. facilitating understanding of management principles, production processes and even sifting the environment for strategic information. Many advantages can be cited. Stephanek (op.cit.) considers education for instance as a prerequisite for management development. He wrote that

Many great leaders of the past were not handicapped by their lack of formal education...
...Increasingly, however, management requires more and more detailed knowledge. Technologies, even those applicable to small industry, are becoming more complex. Government regulations must be mastered if one is to remain in business. While an enterprise can be started with little knowledge, it will not prosper and expand unless the manager receives a constant flow of information and is able to acquire skills of ever-increasing complexity.

In the developing countries where educational levels are considerably lower, the growth in the supply of awakened entrepreneurs can be limited especially in the small firms sector. In studies of small firms in developing countries, it is useful to examine the role of education, as indeed of other relevant factors, for instance on the use of development facilities by the entrepreneurs in improving their businesses.

Having viewed the environmental and internal barriers to the development of the small firm, it can be argued that small firms in developing countries do not fail to realise their economic roles primarily due to lack of management competence. The problems of small firms in developing countries seem to me are due to managerial as well as environmental inefficiencies. The two factors are interwoven barriers to small firm growth. The extent to which information on important areas of entrepreneurial services (e.g. in the acquisition of capital, technology, and even managerial services) is available in the environment, can to a greater extent determine the growth potential of small firms. On the other hand ambitious, versatile and ingenious entrepreneurs are the prerequisite to the effective utilisation of opportunities and assistance that may be available to expand their businesses.

2.3 USE OF SMALL ENTERPRISE PROMOTION AGENCIES BY ENTREPRENEURS IN DEVELOPING COUNTRIES

Although in many developing countries, and especially in Nigeria, there was only limited understanding and consensus as to what constitute the problems of the small firm sector, there has over the years been some effort in establishing promotion programmes to activate the contribution of the sector to national development. The instruments for the promotion of the sector commonly found in the developing countries are mainly three; that is, apart from a general frame of policies and incentive schemes which are aimed at encouraging the supply of entrepreneurs in general. The programmes commonly emphasized are:

(a). the provision of finance

(b). technical and managerial counselling and

(c). developing and assisting in infrastructural facilities

A combination of these is commonly found in many developing countries.

Disappointingly, not much success has been achieved in administering the incentive schemes in most of the countries (see for example, Anderson, 1982, Bolnick, 1982, Livingstone, 1980, Staley and Morse, 1965, Teriba and Kayode, 1977, and UNIDO, 1978b). For example the programme of industrial estates in Nigeria was reported to have "produced less than satisfactory results." (Schatz, in Teriba and Kayode, 1977). In another developing country, India, which has one of the longest histories of official support for small business, and perhaps the most comprehensive programme, problems of attempting "to provide too many services, in too many locations, for the available resources of trained men and equipment" were found to have limited the

success of the programmes (Staley and Morse, 1965). Kilby, (in Anderson, 1981) observed on the experience in a lending scheme in Kenya that:

Of the 288 loans outstanding, 269 are in arrears by three months or more. It has been estimated that as many as 133 loans could prove uncollectable ---. Despite several attempted reforms --- no systematic supervision of loan repayment has yet been achieved--The problem could be a lack of determination at the top. Delinquent borrowers are seldom visited, letters of notice are rarely sent, and legal action is hardly ever taken---

Available information on programmes elsewhere indicates that the programmes were largely characterised by underutilisation, and misuse and have been ineffective.

Notwithstanding the quite significant (though apparently ineffective) attempt at promoting the sector in many developing countries, information on the performance of such programmes is also very scanty. This extends to Nigeria where studies into the operation of the small firm promotion agencies are very limited and the few that have been done are nearly two decades old. Even then, most of the studies saw the agencies merely in the light of one aspect of their intended purposes, (e.g. The Federal Loans Board or the Northern Nigeria Small Industries Credit Scheme only as sources of finance). Omopariolla's study (1978) into the role of the Nigerian Industrial Development Bank is an example of these studies. Other studies that touched on the subject of the small enterprise, merely mentioned the

existence of some of the agencies or what roles they are supposed to play (e.g. Nafziger, 1977 and Osaze, 1981).

Nevertheless, from what can be gathered, the problem of under-achievement of the promotion programmes appears to be due either to the entrepreneurs not being aware of the facilities or that the programmes do not seem to attract the entrepreneurs. The studies did not on the other hand say whether the organisation for the promotion of the sector is adequate or not, whether what is provided coincides with what is needed and whether a communication gap exists between the small enterprises and the agencies and if so what could be done to improve the programmes.

A greater effort in that direction (i.e., in identifying the reasons for underutilisation and of ineffectiveness of small firm promotion agencies), is certainly required for the success of small enterprise development. Establishing a small enterprise programme would require understanding comprehensively the problems of the firms. It should look for the limitations to finding what Penrose (op.cit.) calls the 'productive opportunities' in the firms and the role and limitations of development agencies in filling the gaps that may exist in the firms.

Research on the use of small enterprise information services (services of the agencies) by small enterprise owner/managers in the developing countries or elsewhere is very limited. One notable work (which is not in a developing country) is that carried out by Capital Planning Information (1982) for the British Library, which looked at the information needs and information sources available to small firms in the U.K. The conclusion of this study was that small enterprises tend to have few contacts with external agencies and that small firms

often do not know of agencies especially set up to help them. Even when they do know about them, they do not know what service is being offered.

And that

conventional sources of information, such as public libraries, chambers of commerce and research associations, play only a small role in helping small firms.

Another study which considered the use of agencies by small firms is that by D.J.Storey, (1982). In a study of small firms in the Cleveland area of England, he found considerable unwillingness and dissatisfaction amongst the entrepreneurs to using public agencies established to assist them prior to getting started. He considered (p.143) that it

is increasingly important to identify criteria for determining the effectiveness of such agencies, bearing in mind that the entrepreneur is likely to be a character who cherishes his personal independence and ability to solve his own problems.

Little do we know of the reasons for this state of unwillingness to using the agencies by the entrepreneurs.

These two research findings can be limited in leading to an understanding of the problem in Nigeria, if only because of the differences between the two environments (The U.K.'s much higher educational levels, availability of information services, innovative and competitive financial facilities). The problem of using these

studies as guides to assisting small firms in Nigeria can also be seen even from differences in the two observations from a similar environment. For example while the Capital Planning study concluded that the small firm owners "often do not know" of the services, Storey considers that they are rather unwilling than not being aware. These differences stress the need to examine the problem of small firms from the particular environment point of view.

A useful approach to the study of small firm problems and that of assisting them, is looking at the problem as that of information needs and supply for running the enterprise. An understanding of what sources and what communication or approach the entrepreneurs prefer in meeting their needs is also a prerequisite to providing service to the firms. This is important because the link between the problem of the small firm and the assistance programmes is basically information. What problem triggers the need for what information? What information sources does the owner/manager use for solving his problems, as related to task performance, personnel, and/or relating to the macro-system factors? What information can the promotion service provide to alter the problem situation in the entrepreneurship? What information can be obtained about what is available at the agencies to the small enterprises and what are the communication gaps between the main characters meeting the growth needs of small enterprises? Pursuing this direction is the prime objective of this study on small enterprises in Borno State of Nigeria.

3 . RESEARCH METHODOLOGY

3.1 AN OVERVIEW

The research method used is a fairly common one involving a survey. The emphasis is on personal interaction with the respondents, seeking the advantages of observation, creating confidence, and immediate response. Unless the respondent could not be approached personally therefore, postal questionnaires were not used. As the nature of data required was mainly qualitative, it also became necessary that the research emphasised the current method. The scheme of activities undertaken in arriving at the required information that facilitated the reporting are described below. Before then however, I present some definitions necessary for the understanding of the research.

3.2 DEFINITION OF TERMS

(a). The terms small-scale entrepreneurship, small firms, small enterprises and small businesses are used throughout the text in the same meaning, (i.e., manufacturing businesses with total capital not exceeding 150,000 Naira).

(b). The word entrepreneur, and the term the owner/manager are used synonymously and is one that has a substantial or sole ownership of the business and is involved in managing it.

(c). Agencies are all institutions which are directly or indirectly, specifically or otherwise involved in providing some form of assistance, free or at cost to small firms.

(d). Information refers to processed or semi-processed data which enhances the state of awareness, and which reduces or removes uncertainty or difficulty for an existing or prospective small firm entrepreneur in starting, running, and developing his business.

3.3 THE OBJECTIVE AND HYPOTHESES

The main objective of the study is to look into the availability of information to small firms in relation to their development needs. It examines the possibility of a gap between the information services available and the information needs of the small firms and the possible barriers to the use of such information services by small firms. The ultimate aim is to move towards a suitable small firm promotion scheme in the State. The main proposal of the study is that the current of information services available for the promotion of small firms in Borno State is not adequate. The following hypotheses are considered to fulfill the objective of the study:

(a). there is not sufficient current of information available to small firms in the state;

(b). information services available are inappropriate for the needs of small firms;

(c). lack of awareness by small firm entrepreneurs of government sponsored information services is a barrier to effective small firm promotion;

(d). lack of education of the entrepreneurs is a barrier to their use of government sponsored information services.

3.4 THE SCOPE OF THE STUDY

This study is on the situation in Borno State. The choice of this state is related to the availability of grant to undertake research in this area and the manageability of the research within the limited time and resources. This influenced the decision to limit the main study to this area in the country. This is to enable a more reasonable coverage of the various areas of the research. I also had the strong conviction, partly based on my experience in working with a small enterprise promotion agency, that small firms operating in the different states of the federation appear to have similar problems. The government's effort in promoting small firms is about the same in all the states of the federation. Hence I saw covering more than one state as unnecessary.

Another major factor in choosing Borno State is the fact that the promotion, especially of small scale manufacturing firms is considered a high priority. The State is one of the most lacking in industrial establishments. The "location quotient" of regional distribution of manufacturing establishments by 1973, (the peak era of economic prosperity in Nigeria) showed, for example that, North-Eastern State, (which consisted of Borno, Bauchi and Gongola States) had only 0.08, compared to Lagos which had 17.51 and North-Central

State (present Kaduna State) with 1.47 (Olaloku, 1979). This is thought to be inimical to the development of the State. In addition, the growth and contribution of the small manufacturing sector has not been as desired. Indeed there has been inadequate information on the sector to enable effective planning for its promotion. Cases of failure has been observed to be high, mainly judging from the lack of success of projects sponsored by some of the government agencies. The need was there to understand the problem and find a more suitable scheme for the promotion of the sector enterprises if their desired contributions are to be realised.

Conclusions and recommendations made in this research are therefore mainly limited to Borno state. Nevertheless such conclusions and recommendations may be applicable to the whole of the country due to the similarities mentioned above and desirability of the small firm sector to industrial development of the country.

3.5 THE SURVEY

The research mainly involved interviews with small enterprise promotion agencies and owner/managers of small manufacturing firms all over the state. The emphasis of the study is on developing an understanding of how well the information available from the agencies satisfies the information needs of the small enterprises.

3.51 Selecting the Sample

Since the emphasis is on information for small firm, it became necessary to start with the small enterprise promotion agencies. Such agencies included all existing sources of business information or support available to small firms in the State. This includes private and public sponsored agencies. The emphasis nevertheless is on the role of public agencies. The agencies contacted include all government sponsored agencies, and private and voluntary institutions relevant to the promotion of industry in general in the state. Agencies with responsibilities for covering the state in their activities but operating from outside the state were also included. These include the research institutes and some of the development banks. The institutions were the Industrial Development Centre (I.D.C.), Small-scale Industries Credit Scheme (S.S.I.C.), Nigeria Bank for Commerce and Industries (N.B.C.I.), Nigeria Agricultural Bank, (N.A.C.B.), Nigeria Industrial Development Bank (N.I.D.B.), Projects Development Institute (P.R.O.D.A.), Federal Institute of Industrial Research, Oshodi (F.I.I.R.O.), Leather Research Institute, Centre for Management Development (C.M.D.), and the Industrial Training Fund (I.T.F.). Others are the nine major branch offices of commercial banks in the State, the office of the Chamber of Commerce and Industries, and the secretariat of the Association of Small Scale Industrialists of Nigeria, Borno State branch.

To understand problems and information needs of small firms, I also contacted existing small firms. In selecting the sample of small firms, various criteria were used. First was size which was limited to a capital investment not exceeding N.150,000. This was made

in line with the existing definition used as a criterion for acceptance for assistance from the government sponsored small enterprise promotion institutions. Second, was the type of business activity similarly chosen in line with the qualification for assistance. Thus only manufacturing and manufacturing related activities that normally qualify for assistance from the promotion agencies were included. This decision is important since the role of the agencies cannot be measured in those activities for which they have no facility. A third criterion used is the number of years the firms have been operating. This was placed at a minimum of four as an experience benchmark to having 'successfully' started the business and running it within the constraints to which it is exposed.

3.52 The Data Collection

The data collection exercise involved interviews with the various agencies mentioned and small enterprise owner/managers.

3.521 The interview with the agencies

The contact with the agencies within Maiduguri, capital of the state, was made personally. It involved paying a visit to the agency concerned and requesting an interview with the key personnel. A letter of introduction was tendered where required. The interview itself involved semi-structured discussion on the various aspects of the agencies' programmes. The focus of discussion included: the types of services available at the agency, the practices and approach to undertaking the promotion exercise, and where available, examining

their records of performance. It also included a discussion on the problems experienced by the agencies in undertaking their programmes. Where necessary, and possible, independent discussions were also held with other staff of the agencies who are in direct contact with small firms (e.g. in counselling or technical training activities). This was mainly designed to give a first hand insight into the practical approach to providing assistance to small firms and the difficulties involved. The emphasis in the interview was informality and free discussion with the officials. This was thought to be necessary to bring out the personal experiences of the staff and not limit the response. A questionnaire was, however, available to guide the discussion to within the framework of the research and time available. The interview was recorded manually and at times with the assistance of a tape recorder.

Data from agencies outside of Borno State were collected through my friends or my associates within the reach of such institutions with the help of postal questionnaires (sample in appendix). Direct postal questionnaires were sent to others who could not be reached.

3.522 The interview with small firm entrepreneurs

Data from small enterprises were collected mainly through semi-structured interview, using a questionnaire (sample in the appendix). A recorder was also used as a supplement to allow continuous discussion and capture remarks otherwise not easy to write out as they arose (in some interviews this was not possible due to objection by the respondent). The questionnaire itself was designed to

facilitate a free but fairly structured response from all the respondents.

The interview contact mainly depended on an *impromptu* call at the place of business of the respondent and requesting an interview. The approach was fairly simple, including introduction of the interviewer, his purpose of visit, and some explanation of the relevance of the study to the small enterprise community. An emphasis in the introduction was the creation of confidence in the entrepreneur of the relevance of the exercise to the development of his business. An arrangement was sought for the interview at a time suitable to the prospective respondent if the particular time of original visit was not suitable to him/her. In that case a copy of the questionnaire was left with the entrepreneur to look through before the interview. Where the entrepreneurs did not comprehend English well, a questionnaire translated into Hausa language was offered.

The focus of the interview with the entrepreneurs included:

- (a). background information of the entrepreneur and the firm;
- (b). difficulties encountered in getting started and those being faced currently
- (c). the usual sources used for obtaining information in relation to problems encountered and their reasons for the preference of such sources
- (d). the management, financing, production and marketing characteristics of the firms
- (e). knowledge of small enterprise agencies and their feelings towards the use of government sponsored small enterprise agencies.

Effort was also made to examine some vital operational records of the firms where available. With a view to supplementing and checking the

response given by the entrepreneurs to the various questions, personal observation of the businesses, their environment, and other relevant characteristics of their management were made during the course of the interviews. This necessitated a second and at times a third visit to the site of the businesses to capture the operations of the firm in their normal form. To create greater confidence and derive more information from the entrepreneurs, it became necessary for me to offer suggestions on how to improve the position of the business or solve some problems that the entrepreneurs brought up during the discussions. Also an examination of facilities, layout, hygiene and so on were made. Similarly discussions were held with some employees of some of the firms.

A total of two hundred small enterprises were considered initially for the interviews on the basis of manageability and accessibility within the research time at my disposal. The main source of the list of entrepreneurships was the registration of local business premises documents in the Ministry of Trade and Industry. The interview itself was conducted with 121 small enterprises (61% of chosen population) all over the state. One of the main reasons for the difference was the fact that 42 of the firms could not be traced at the given addresses. Thirty seven of the entrepreneurs objected to the interview. Considering the difficulty involved in getting small business entrepreneurs to participate in research of this kind, the response may be considered a success. The author conducted the main body of the research. However where follow-up was required and/or where the information required was fairly standard, or where there was a language barrier, university students were used to collect the data. Table 1 is the distribution of the responses by location.

*Table 1 Distribution of Sample Respondents
by Location*

<i>Location</i>	<i>no.</i>	<i>%</i>
<i>Maiduguri</i>	<i>61</i>	<i>50</i>
<i>Bama</i>	<i>5</i>	<i>4</i>
<i>Bensheik</i>	<i>2</i>	<i>2</i>
<i>Biu</i>	<i>10</i>	<i>8</i>
<i>Damagum</i>	<i>1</i>	<i>1</i>
<i>Damaturu</i>	<i>2</i>	<i>2</i>
<i>Konduga</i>	<i>1</i>	<i>1</i>
<i>Gwoza</i>	<i>4</i>	<i>3</i>
<i>Potiskum</i>	<i>14</i>	<i>12</i>
<i>Nguru</i>	<i>6</i>	<i>5</i>
<i>Kukawa</i>	<i>1</i>	<i>1</i>
<i>Uba askira</i>	<i>3</i>	<i>2</i>
<i>Gashua</i>	<i>6</i>	<i>5</i>
<i>Marte</i>	<i>2</i>	<i>2</i>
<i>Dikwa</i>	<i>3</i>	<i>2</i>
<i>Total</i>	<i>121</i>	<i>100</i>

3.6 DATA ANALYSIS

The data collected was mainly analysed by considering the background information on the respondent, and other observation notes of the enterprise or agency, points raised during the discussion both with key respondent and other staff members or employees interviewed, and readily available information on the subject of the response. To consider the importance or otherwise of the background of the entrepreneurs and other factors in influencing the response, I used Chi-square test and Cramers' correlation coefficient (to observe any differences between the entrepreneurs in their emphasis of information needs and problems and how strong these differences are). However, only limited use of statistical data presentation was made. The analysis was mainly manual, and emphasised qualitative rather than quantitative method. The verification of the main hypotheses and

conclusions were mainly arrived at by deduction from the data collected and the observations made during the interviews.

Note.

Location Quotient is defined as a measure of the degree of industrial concentration in a sub-area compared with the general concentration in the whole area.

4 . SUPPORT FOR SMALL FIRMS IN BORNO STATE

Sources from where small firm entrepreneurs may obtain support can be divided into three classes: commercial banks and private consultancy services (which may be termed conventional sources), voluntary agencies (i.e. those that are established by the business communities for providing services to their members), and, government sponsored agencies.

4.1 CONVENTIONAL SOURCES

Business enterprises have conventionally derived their business information through their business contacts and other sources commonly in the service of industry. The main conventional sources of information available to small enterprises in Borno state are the commercial banks. These being major sources of finance for industry normally offer with their financing activities, some services to industry, including counselling and advice on financial management. Other conventional sources are private consultancy firms.

4.11 The Commercial Banks

Generally, the role of the commercial banks in the country is stressed more in the financing of industry than in providing other services. This is not surprising as financing is the traditional role of the banks. It is therefore only reasonable that I devote my discussion mainly to this area.

There are 8 main branches of commercial banks in Maiduguri with sub-branches all over the state. Although useful discussions were held with key personnel in these banks, I was unable to collect significant information especially on the banks' financial involvement in supporting small firms. This included their outstanding loan figures to small businesses from any of the Maiduguri branches. All of them either claimed they knew only of the figures given in their banks overall lending or could not give specific figures as they are considered banking secrets. From comments raised during the interviews however, it is clear that neither lending nor providing information and advice to small firms constitutes an important part of their business. Due to this lack of adequate response from the commercial banks in the state, the question of how much support is available from the commercial banks to small businesses is considered from an examination of available national statistics.

As it is generally believed that the problem of small firms is that of lack of finance, the effort of the Government has been directed at getting private financial institutions to lend to the small firm sector. The participation of the commercial banks in the financing of small enterprises however, largely remained below expectation. This has prompted the Government to intervene firmly,

since 1977, through monetary policy guidelines to increase the banks' lending to small-scale enterprises. The guideline tried to direct the lending activities of the commercial banks and specified how the total loans and advances to the sector can be shared (Table 2 below).

Table 2 Central Bank of Nigeria Guideline To Commercial Banks

On Loans To Small firms

Size category (Turnover p.a.)	Percent allocation
Up to N.2,500	1.6
Over N.2,500 and upto N.50,000	2.0
Over N.50,000 and upto N.100,000	3.2
Over N.100,000 and upto N.200,000	4.0
Over N.200,000 and upto N.500,000	5.2
Total	16

Source: Central Bank of Nigeria

The Central Bank of Nigeria policy guideline has stipulated that at least 16% of total lending of the commercial banks must be to small-scale manufacturing businesses, which distribution is shown in the table above. It is important to point out at this juncture that there is apparently an abnormality in the guideline itself. More provision is made for larger small firms than the smaller small firms. This guideline seems to stipulate greater support for firms that are more likely to receive funding elsewhere without the support of the government and neglects those that are more in need of institutional

assistance. This is perhaps to satisfy the commercial banks' desire for certainty in their lending and perhaps meant to be an incentive for them to increase their lending. That incentive as misguided as it is has not been effective. Little improvement has been recorded over the years in the growth of loans from the commercial banks to small firms despite verbal pressure from the Central Bank of Nigeria. The Central Bank of Nigeria consistently over the years has observed that the banks have ".....failed to comply with the guidelines... and had consistently lent short" (Central Bank of Nigeria, 1984). Table 3 shows the total loans and advances to small scale enterprises for the periods 1980 - 1985.

Table 3 Commercial Banks' Loans and Advances to Small Firms

1980 - 1985.

Year	Amount	% of total	Reporting Banks
	millions (N.)	to industry'	
1980	102.1	2.8	10
1981	203.2	2.3	12
1982	206.7	3.4	11
1983	351.3	2.7	16
1984	354.4	3.1	26
1985	972.1	3.8	26

1. Percentages of total for the reporting banks

Source: Various Issues of Central Bank of Nigeria Annual Report
And Statement of Account

Returns from 26 existing commercial banks for example showed that loans to small scale enterprises continued to fall far below the prescribed minimum of 16%. The banks made little progress in meeting the stipulated percentage.

Generally, financial support from the banks depends on the commercial viability of the project to be financed, the credibility of its investors, and the security backing (just as in the most traditional concept of bank lending, which most branch officials met believed in). Their approach to supporting small firms is totally that of the arm-chair supporter, non-active. They considered going into advisory activities as in conflict with banking principles and committing bank officials unnecessarily in businesses they have little responsibility for. Only three of the banks have Business Promotion Departments in their area offices in Kano, where interested businesses can collect information on some researched projects, such as may have been passed on by the Federal Institute of Industrial Research or be introduced to other research institutes for such information. Other services that they provide, upon request by customers include, business marriages with local or foreign partners. These services seems to me exist mainly on paper than in practice since even the branch officials with whom I had interviews are not certain of how well they operate. They do not also seem to be designed with the small firm sector in mind since they attract substantial charges (minimum charges are about N.500 - N.1000). In addition, they are of little importance to small firms in Borno state since the Departments are located in Kano (590 kilometres away).

With the increasing emphasis on the small enterprise sector, the banks' services to the sector can be described as inadequate and

needing improvement at least in the provision of information and signposting. One of the main drawbacks of the banks' involvement in providing any service to small firms is the secrecy and uncertainty with which they seem to undertake their businesses. For example most of the officials met do not understand the operations of the Business Promotion divisions nor would they specify if any entrepreneur has ever benefited through their assistance. Even when I pressed for an explanation on who to meet and or how to approach the Promotion Department, I was met with a vague reply, (e.g. meet our manager at the area office etc.).

Another drawback is the lack of staff time to provide other banking services to customers due to the cumbersome nature of retail banking in the country. Only three of the Banks have sub-branches in Maiduguri. With an average daily customer turnover of about two thousand in each of the banks, deposit taking and withdrawals take up the whole day of their personnel, and some extend up to mid-night reconciling and balancing their books. Little time is left for customer counselling, and other services. There seems to be a considerable gap between the banks and their customers as far as providing business information is concerned.

Increased creativity and enthusiasm is certainly required from the commercial banking sector in providing financial counselling and advice to small firms. Some effort is also required in creating awareness of their other services besides deposit taking. Some of the banks already have new advertisements coming up emphasising service to industry although they seem to appeal mainly to large businesses. Greater activity will give the banks better chance of knowing the

small enterprises and enable the development of experience necessary for the servicing of the sector.

In assessing the creativity of the banks in lending to small firms, one must not leave out the fact that the government policies and guidelines to the commercial banks to lend to the small firms sector is largely without creativity itself. There is for example, neither an incentive allowing for charging increased interest rates on loans to small firms nor any sort of a guarantee scheme to affect losses in the event of default. In addition, there are no measures to apply in case of banks failing to comply with the guidelines. In the absence of these it is only reasonable for the banks to stick to their traditional banking and exclude all risky business from their portfolios.

There should have been an incentive to the commercial banks to improve their services (e.g. more appropriately a credit guarantee scheme which will enable the banks to use as a hedge against possible defaults rather than increased interest charges since that will only make loans too dear for small firms). The advantage of a credit guarantee scheme should have been apparent since the nation has experience in credit guarantee financing of the agricultural sector. The commercial banking system in the country needs such an incentive to bring about a change of heart towards the small firm sector.

4.12 Private Business Information Services

Business information services are traditionally the domain of private consultancy institutions. Very few of these however exist in Borno State. These are:

- (a). Akintola Williams and Co. Chartered Accountants and Secretaries
- (b). Dele Giwa and Co. an Accounting firm
- (c). Ramat Polytechnic Consulting Unit
- (d). University of Maiduguri Consultancy services.

The availability of information from these institutions to small firms is limited by cost. The average charge for consultancy or advisory service to a small firm by these institutions is about N.2,500^e. The emphasis in these agencies are/carrying out feasibility studies for potential businesses. Ready prepared reports can also be bought off-the-shelf from these agencies by small firm entrepreneurs for about 10% of the project cost. This practice does not seem to be beneficial to developing successful small firms since the studies are mainly based on hypothetical backgrounds, and does not include an assessment of the entrepreneur's ability to undertake the project.

4.2 VOLUNTARY AGENCIES

Two main voluntary agencies existing in the State claim to provide some information and assistance in various areas to industrial establishments. These are the two major trade associations, the Chamber of Commerce, Industry, and Agriculture, and the Nigerian Association of Small Scale Industrialists.

4.21 The Chamber of Commerce, Industry and Agriculture

The purpose of this Association is to forward the goals of its members and collectively develop the business environment in the State. It is affiliated to the National Chamber of Commerce and Industry. It makes representations to the Government on problems of its members, fights for favourable government policies on business, and interacts with international associations for the exchange of information. It seeks to create business contacts and collect necessary information for use by its members. It currently has 216 members.

This association, however, had never found its feet in Borno State due to organisational problems and the lack of committed membership. Members are mainly interested in holding positions in the organisation with an aim of using such position to gain influence in business circles. Even this goal seems to be only poorly pursued. Few members are active or pay their subscriptions regularly but only when it is clear some benefit is on the way. For example, recently (in August, 1986) the Association used its coming elections as an

instrument (i.e. to qualify to participate in its elections to its executive council) to make members pay their subscriptions. More than 100 businessmen responded. For most of its existence, the Association has been engaged in solving its organisational problems, such as sharing of offices and definition of functions rather than contributing information to its members or other business enterprises. In fact between 1980 and 1985 the chamber had been split into factions and no fewer than 6 reorganisation and elections had taken place.

The Association's contribution has therefore been very small. It made several attempts to sponsor a local trade exhibition for the past five years but its efforts have never left the committee room, (partly due to the division of its members into factions which diminished the ability to take binding decisions and partly for the fact that it had no organisation to undertake such an activity). It also has a collection of directorates and publications of business interest but these are kept under lock at the Administrative Secretary's office and is hardly accessible to entrepreneurs. There is no other specialist staff of use to entrepreneurs at the office of the Association. It is therefore of insignificant use as a source of information for its membership group or small firm entrepreneurs.

4.22 The Association of Small Scale Industrialists

This is a relatively new organisation but with growing membership mainly of small scale manufacturers. Its formation in Borno State was in 1978 but the Association had been dormant until very recently. Its membership is only 31 currently. The association is mainly for promotion of small scale manufacturing enterprises and the

bringing together of small scale entrepreneurs in common pursuit of their objectives. Its functions are similar to the Chamber of Commerce's to which it is an affiliate member. It is also affiliated to the National Nigerian Association of Small Scale Industrialists. It aims to assist small business entrepreneurs with business information which it envisages to gather through its connections within and outside the country. The Association has several specialist committees with responsibility for assisting the entrepreneur. These include the Raw Material Development Committee, the Machinery and Equipment Committee, the Publicity and Enlightenment Committee, the Training and Development Committee and the Finance Committee.

The role of this Association is yet to be felt in the State. It has not undertaken any major activity and it is trying to get itself reorganised to be effective. It recently, jointly with the Ministry of Industries and the Ramat Polytechnic, organised a seminar for its members on the identification of investment opportunities in Borno State. The major obstacle to the success of the Association, as with the Chamber of Commerce is the lack of interest of individual entrepreneurs to joining and collectively contributing to the success of such associations.

On the whole, little information is available to small firms either from private agencies or the voluntary associations. Little desire is shown by private agencies to provide more service to small firms mainly as a result of lack of incentive and creativity to do so. Small firms are effectively kept out of the market segment of the private agencies by the cost of obtaining their services. The voluntary associations on the other hand are more constrained

themselves by lack of leadership and organisation capable of providing information to their membership. Government support programmes therefore, are a necessity to small enterprise development.

4.3 GOVERNMENT SPONSORED AGENCIES

There are seven mainly government sponsored small enterprise agencies. These are the Small Scale Industries Credit Scheme (S.I.C.S), the Industrial Development Centres (I.D.C.), and the development banks (the Bank for Commerce and Industry, N.B.C.I., the Nigeria Agricultural and Cooperatives Bank, N.A.C.B. and the Nigeria Industrial Development Bank, N.I.D.B.). Others are the Federal Institute of Industrial Research, (F.I.I.R.O.), the Projects Development Institute, (P.R.O.D.A.), the Centre for Management Development, (C.M.D.) and the Industrial Training Fund, (I.T.F.). The three main small firm promotion agencies in the State however are the S.I.C.S., the I.D.C. and the two main development banks, N.I.D.B. and N.B.C.I.

4.31 The Small-scale Industries Credit Scheme

The S.I.C.S. was established solely for the provision of finance (e.g. money for new firm start-ups and developing of existing ones) to small firms. Under the scheme, a project can be financed to the tune of N.80,000. The scheme is operated by the Ministry of Industries and Commerce's Small Enterprises Division. There are few other financial services provided by the S.I.C.S other than supervicing its loan utilisation and counselling its beneficiaries on

their operational problems. Its services are therefore provided mainly as a package with its loans and are mainly available to its loan beneficiaries.

Since its inception in 1977, the running of the scheme has recorded a number of successes but has not been without its difficulties. Early in its life the scheme was instrumental in encouraging many business startups in the State. For example, table 4 contain the figures of firms directly supported by S.S.I.C.

Table 4 Small-Scale Enterprises Set up With Direct Assistance From S.I.C.S. in Borno State 1977 - 1984.
(Distribution By Local Govt. Areas)

<u>Name</u>	<u>no.</u>		<u>Name</u>	<u>no.</u>
Bama	36		Gujba	13
Bade	18		Gwoza	30
Biu	27		Kaga	19
Damboa	15		Konduga	15
Damaturu	22		Kukawa	23
Fika	36		Maiduguri	66
Fune	7		Monguno	18
Geidam	18		Nguru	35
<u>Ngala</u>	<u>19</u>		<u>Uba/Askira</u>	<u>17</u>
Total	198	+	238	= 434

Source: Borno State S.I.C.S.

The distribution of the startups clearly shows the emphasis in the industrial development of rural areas. More than half of the enterprises assisted are in areas that can be classified as rural. The estimated employment generation in these enterprises was about 9,238. This seems quite a contribution to improving the employment situation and manpower development ambitions of the state as well as the industrialisation of the State if we consider the fact that employment in large firms in the State between 1977-1984 averaged only 6,339.

These figures (in table 4) give only one side to the story however. Out of the 428 startups assisted, for example, less than 10 percent are successes. About 20 percent are known to be "operating" while more than 50 percent have either not started up at all or failed within a few months of startup. The Secretary of the S.I.C.S. ascribed this situation to the lack of competence in successfully starting and running small manufacturing activities by small firm entrepreneurs. The S.I.C.S. secretary also noted the lack of technical ability among the entrepreneurs assisted. For example of the 30 percent that are said to be operating, more than 80 percent belong to those industries requiring few technical skills, or are very easy to obtain skills in (e.g. bakeries and concrete and cement block making). This lack of skills both in technical and managerial areas is said to have led to the disappointing success rate of the firms provided with assistance.

The situation on loan repayment has also been disappointing as a result of the lack of success in the startups. There has been large scale falling back on loan repayments. For example on the average the rate of repayment over the years has been put as 8% in the case of 1969-1980 borrower (the S.I.C.S. inherited borrowers dating back to 1969, which loans were made by the then North-Eastern State Government

of which Borno was a part) and only 5% in the case of 1983-1985. Thus in 1985, only N.184,208.96 of a loan of N.2,277,137.92 some dating as far back as 1969 was recovered. Similarly, of loans made from 1983 only N.59,311.75 was recovered out of the total of N.1,116,571. This has contributed to drying up of funds for further lending to small firms.

It may be difficult to blame the failure of the scheme on the lack of competence of the entrepreneurs alone. For example the efficiency of lending policies can be questioned in the case of beneficiaries without the necessary skills to undertake their businesses. If the screening procedure were adequate enough it should be able to flush out those applicants that do not possess the skills to start and run the businesses. A general merchant is for example an unlikely candidate to start and run a small wire and nail manufacturing business. Similarly, a blacksmith is a questionable candidate for starting and running of a polythene bag manufacturing business successfully. Since these businesses are mainly small scale, the need for the owner/manager to have an in depth knowledge of the business and its operations is without question important.

The pattern of lending in the S.I.C.S. does not seem to be taking such considerations into account. The lending process has largely neglected the need to align the technical skills and experience of the applicant with the type of business he intends to establish. Similarly, applications are considered by lending officials based mainly on sentiments (under influence of the top, as conceded by the Secretary), sometimes on criteria such as apportioning of loans to local government areas without regard to whether the type of project put forward is actually needed. An examination of the composition of

the Loan Management Committee membership also reveals a gap in requisite expertise on deciding who should get a loan.

For example the Committee comprises four permanent secretaries, a representative from the Governor's office, a representative of the Ministry of Justice, a representative of the Federal Ministry of Industries (Small Enterprises Division), and the Director of the I.D.C. Such highly placed individuals, especially the permanent secretaries, can hardly find the time for this job. Also, since the nomination of permanent secretaries in the state has increasingly become political, such individuals may not have expertise in the business area. Such a situation must give rise to sentimental judgements and loan allocations, the result of which is the failure of the scheme and misallocation of funds. There are several examples of such bad decisions. One is a case of a concrete block manufacturer in Kukawa local government area who found no market to sell his product. Obviously, the loan application analysts did not consider the living standards of the people there, their ability to buy concrete blocks, or even the fact that Kukawa is in the arid area where earthen blocks are more appropriate for keeping the rooms cool and hence are more favoured. In another case, a small modern mechanical garage was given loans "far above the limit" of N.80,000 to import the most modern equipment. The equipment arrived since 1979, but have been in their crates. No action was taken either to make the firm use them effectively, or recover them for the benefit of either the State, or a capable entrepreneur using them. Similar cases have arisen in other areas too. In such a situation the failure to successfully startup can not be blamed on the entrepreneurs alone.

Indeed, there should be a wider financing information service generally to small firms rather than concentration in the provision of finance only. Even in providing financial support, there should have been a balance between supporting new firm start-ups and financing the development of existing small firms. Indeed, one may argue that there is less risk and more possibility of success in supporting existing small firms to develop than providing finance to entrepreneurs of questionable abilities. In the case of supporting entirely new small firms, there is need for organised identification of, and selecting potential capable small firm entrepreneurs for support for the scheme to succeed. The S.I.C.S. plays little role in that direction. Presently political justification seem to override the need for prudence and objectivity in implementing the programme by the S.I.C.S.

In any case, there was no evidence suggesting there was more need for actual finance than financial advice or counselling on financial management in small firms in the area at the initiation of the Scheme. The problem seems to me that of a lack of understanding of the needs of small firms especially after the start-up period. There is therefore no reason why more emphasis should not be laid on assisting the small firm entrepreneur in developing his financial management ability and direct him to the right sources of finance. This function can be undertaken by a separate division in the Ministry to avoid giving the impression to entrepreneurs that the S.I.C.S. is responsible for their success. The actual financing function of the agency may continue (if it needs to) as a last resort or topping-up facility to small firms in need of funds urgently or cannot obtain all of their needs from other sources. I suggest a Credit Guarantee scheme introduced so that the S.I.C.S. does not lend but guarantees loans to

small firms from private financial institutions. It is important that lending decisions be left to experts directly involved in the exercise.

A problem that seems to contribute to the failure of the firms assisted in getting started, implementing expansion, and repaying loans is no doubt the lack of adequate supervision. For example only a total of 5 commercial officers and technical officers exist in the S.I.C.S. for monitoring the 428 borrowers. These officers also have the responsibility for assessing loan applications, and the collection of debt. Worse still only 7 zonal offices exist in the state, (only 1 zonal staff member in each of the zones comprising several local government areas) for the monitoring and assisting of the borrowers in setting up and operating their businesses. Such zonal officers are expected to pay visits at least ones a month to each of the firms assisted, study their progress, and report to headquarters for further action. Evidently from what has been obtained from the interview, and the doubtful experience of the officers, the ability of the zonal officers to undertake these activities effectively is very limited. No wonder that loan recovery and project success in some of the local government areas are minimal. This indicates the inadequacy of such monitoring devices. There is a striking similarity to the situation Kilby (in Anderson, 1981) observed in Kenya of lack of will, and, in this case, ability at the top to devoting time and effort to the success of the Scheme. The lack of success in starting up and the inability to pay back the loans are only to be expected since a significant number of the successful applicants do not have the skills and knowledge to undertake the projects and not enough counselling, advice or information on how effectively resources can be used is

available to them. No wonder some small firm entrepreneurs believe such loans are 'gifts' from the government since there is inadequate communication of the purpose of loans and the lack of official zeal to see it used effectively.

Such a failure in the S.I.C.S. has resulted in the programme consistently in need of funds to undertake new loans. Since 1978, it has found very little as the government has made no further grants available and lending activities effectively stopped in 1979. It resumed briefly in 1983 and ceased again shortly after. This institution has ceased to be a source of financial assistance since then and as it is known to entrepreneurs only as a financing agency, it is largely dormant. In terms of government financial support for small enterprises in the state therefore, there is virtually none at present. The S.I.C.S. is presently of little importance as a source of information or financial assistance to small enterprises.

4.32 The Development Banks (N.A.C.B., N.B.C.I., and N.I.D.B.)

4.321 The N.I.D.B.

The N.I.D.B. is the main industry development bank in the country. It came into being in 1964 as the first national development bank. Its main objective is to provide medium- and long-term loans to Nigerian enterprises. Mainly, the Bank's financial assistance is available to limited liability companies registered in Nigeria, which are wholly or substantially owned by Nigerians. Projects in industrially disadvantaged areas such as those encouraging industrial dispersal

and rural developments (e.g. small-scale manufacturing firms) are considered priority areas for assistance by the Bank.

The Bank finances by equity participation and/or direct lending; minimum participation in any one project is at N.50,000. It participates in lending to small scale enterprises mainly through its membership of the Association of Nigerian Development Finance Institutions (ANDFI). In this arrangement, it lends to existing development finance companies in the states, funds for on-lending to small enterprises.

The Bank operates mainly as a normal banking institution. It provides little counselling or other services, either alone or as a package. Consultancy services are limited to its newly created Intelligence Unit which is based in the head office in Lagos. This unit undertakes economic surveys and investigations (into local sources of raw materials, industrial opportunities etc.).

The N.I.D.B. has not made a significant progress in providing assistance to small scale enterprises. One major criticism of the Bank must be its practical divorce from the small enterprise sector. Its lending facilities, and minimum equity participation are exclusively for the medium to large sized businesses. There seems to me a failure in the role definition of the Bank. As its name suggests, it is a bank for assisting the deliberate industrialisation policy of the Government. Small scale enterprises in the country seem more adaptable to this policy as has been stressed in the subsequent National Development Plans. The major lending policy of the Bank however does not appreciate this fact and has been grossly out of step with the ambitions of the Government.

Its recent attempt at increasing participation in supporting small firms through ANDFI is also not without problem. One problem that can be expected will be the inflow of sentiments and priority misplacement (that seems to characterise operations of state owned establishments) into the lending criteria of the member investment companies. It is more likely, if adequate arrangements are not spelt out, that such funds will be misused by the state investment companies. Another problem is whether the investment companies are going to lend such funds on commercial basis. If so there is no reason why the Bank itself cannot give the loans without going through an intermediary. What role does the Bank play in making sure the success of the scheme?. Who provides financial advice on loan utilization to small firms that receive loans from the scheme? The operational guidelines of the scheme does not answer these questions on which the success of the scheme will depend.

On the whole, the N.I.D.B. is a development bank only on paper as far as the small scale enterprises sector is concerned. Like the S.I.C.S. it cannot be considered as adequately providing the needed service to small enterprises. The policies of the Bank effectively remove the small enterprises sector from its services. In states like Borno, where the average investor is more interested in single proprietorship (for example, 92% of small businesses registered by the Borno State Ministry of Industries are single proprietorship), and perhaps needing smaller investment funds than the minimum that can be lent by the Bank, it is not surprising that the N.I.D.B. has been of limited use. As there is no member of ANDFI in the State the N.I.D.B. has little presence in supporting small firms. Its intelligence unit is equally of little impact since it is limited to its head office. It

is not surprising that the Bank is advertising that Borno State entrepreneurs have not availed themselves of its services and the quota of the lending facilities is always left unused.

4.322 The N.B.C.I.

The other development orientated bank is the N.B.C.I. The N.B.C.I. was established initially for the financing of the 1972 enterprise indigenisation exercise. By 1979 after the exercise was completed, the Bank's role was redefined with an emphasis on the financing of general commerce and industry and later of the small-scale enterprises sector. Its operations are quite similar to the N.I.D.B.'s and it makes medium- and long-term loans to indigenous enterprises. It is increasingly becoming the bank for the promotion of small-scale enterprises. Borno State is served by a branch office in Maiduguri.

The N.B.C.I.'s role in the financing of small firms in Borno State over the past few years has been significant. From information available to me from the Bank, its total lending amounted to 2.7 million naira in 66 unclassified small scale enterprises in Borno State between 1981 and 1983. Forty nine of the investments are in purely new firm startups while 17 are for further investment in existing firms. Unfortunately, only 30 of the firms provided with financial assistance are operating while 36 have collapsed or have not taken off due to reasons which were not disclosed to me. In 1979/80 it also helped disbursed one million naira to small enterprises, being part of Federal Government grant to small scale industry promotion in Borno state.

Currently the Bank is trying to introduce a new scheme named Entrepreneurship Development Programme (EDP). The objectives of the scheme are to increase the effort in the creation of awareness for self development and utilisation of skilled personnel through the creation of small firms. It also aims at,

(a). identifying, selecting and developing potential entrepreneurs

(b). identifying possible project opportunities in different parts of the country for further development and promotion

(c). directing the course of investments into small industrial projects to encourage self-reliance.

A unit known as the EDP which will be created will have the roles of:

(a). enhancing and serving as a centre for the coordination of efforts and channelling of resources by various institutions to small scale enterprises

(b). serving as an information resource centre to devise a means of assisting small scale entrepreneurs to obtain financial, technical and managerial support for the development of their businesses

(c). organising training programmes through workshops and seminars either directly or in collaboration with other institutions and agencies on a continuous basis and

(d). selecting and training potential and existing small scale entrepreneurs and channelling their efforts towards identified business opportunities.

This programme is still at an embryonic stage and its operational guidelines are yet to be laid down. When operational it is expected it will help in introducing greater expertise into small enterprise

promotion in the country. Small firms may eagerly look forward to this programme for it seems to recognise the need for information and counselling in their success. The success of the programme will depend on whether the expertise is there to undertake it. Presently the Bank is not including this as a prerequisite for implementing the programme.

The most common complaint about the N.B.C.I.'s services presently is the unusually long period it takes to process applications from small enterprises. Sometimes it takes as long as 3 years or more between application date and approval. Actual disbursement of funds may also take some months to commence. Its conditions may also be identified as a reflection of commercial banks' and lacking in flexibility in accommodating the needs of small scale enterprises since lending is by no means on concessional measures. These are perhaps as a result of lack of expertise in the organisation. Inadequate authority to take lending decisions by the branch management on loans also seem to contribute to the delays in processing loans. For example, the manager can only approve loans of under N.5000 without referring to his Head office in Lagos. This certainly slows down the approval and disbursement process since for all loans above that the manager personally takes the applications to Lagos to present, after which the officials in Lagos take their time to process them. There is the need to increase the lending limit of the branch manager. To reduce any abuse of such increase by the branch officials, their lending can be made subject to adequate assessment of the applicants by the I.D.C. for competence and viability of project. A sworn affidavit on the existence and ownership of, or the intention to start a business may also be obtained from the applicants intending

to borrow larger sums to indicate it is a true venture. Without such improvement and until when the EDP programme is fully operational, the N.B.C.I. remains restricted in support for small firms.

4.323 The N.A.C.B.

The N.A.C.B. is mainly established to support the agricultural sector and small agro-allied businesses. The Bank provides extension services in the field to its loan beneficiaries and technical and managerial counselling especially with emphasis on loan utilisation. Currently, its emphasis is on assisting farmers rather than agricultural industrialists.

On the whole what is available at the development banks is restricted to financing. There is not enough matching effort in developing programmes that may reduce the need for finance by small firms and enhance their ability to generate finance internally.

4.33 The Industrial Development Centre

This is the main unit for the promotion of small enterprises in Nigeria, operated nationally by the Federal Ministry of Industries, Small scale Industries Division. There are fifteen I.D.C. offices throughout the federation. In Borno State there is a branch in Maiduguri. The centres are essentially established

to develop viable and modern small-scale industries through the adaptation of more efficient techniques of production and better organisation and management methods..... (Fed. Min. of Industries, 1980).

The I.D.C.'s services include:

- (a). technical appraisal of loan applications*
- (b). provision of extension services (i.e., providing management and technical counselling and advice)*
- (c). training of entrepreneurs and their employees, including management training*
- (d). carrying out applied research into industrial products involving designs of products for small-scale establishments*
- (e). the gathering of information on industry outlook, resources, new technology and processes for use by small firms.*
- (f). offering a specialised service of project feasibility study preparation to small firm entrepreneurs*

These activities are undertaken by the Centres' two main divisions, the Management and Technical Service Divisions. These services are offered free to small entrepreneurs. As a major consultancy unit, all the other government sponsored agencies are expected to use its services to help implement projects they have sponsored. Small firm entrepreneurs may also be directed from these agencies to the I.D.C. whenever a problem arises.

The functions that the I.D.C.s are expected to perform far outstrip the resources available to them. It is most unreasonable that one organisation like the I.D.C. should specialise in management consultancy and technical research at the same time for example. Its technical research function no doubt duplicates the functions of available technical research institutes. The existence of the agency under the civil service is also an inadequate arrangement for its proper functioning. Mr. Olayinka, the then Director of I.D.C.

Maiduguri (now of I.D.C. Zaria) for example, opined that this has been one of the major problems of the I.D.C. since the civil service is prone to unnecessary bureaucratic procedures and lacking in incentive to attracting experts. One can but agree with such supposition in the light of the general view in the country of the lack of effectiveness and efficiency of the civil service setup. Secondly, the structure of small enterprise promotion in the country without doubt over burdens the Centres as the only management and technical counselling and advising unit. For example, only the I.D.C. has the organisation for the provision of managerial and technical counselling services for small scale enterprises in the State. This office (I.D.C. Maiduguri) with only five industrial and technical officers on the average since its opening has been the sole government supported management consultancy unit to cover the whole of Borno with an estimated small enterprise population of over 7000. Assuming only one tenth of the small industry population are in need of this service in any particular time, there are about 140 for each of the industrial officers at the I.D.C. to cater for. This indicates a significant lack of managerial and technical advice to small firms in the area. It is within this perspective that one should consider the performance of the Centres.

Until 1979, with the opening of the Maiduguri I.D.C., Borno State was served by the I.D.C. in Zaria which also served nine other northern states. The Zaria office has been instrumental in the servicing of small scale enterprises in Borno State. Most of small firms presently being attended to by the Maiduguri office have their initial contact with the I.D.C. Zaria. Table 5 below shows the number of small scale enterprises assisted by the I.D.C. Zaria.

Table 5 Small-scale enterprises assisted by
I.D.C. Zaria 1974-1983

State	Type of Assistance		
	<u>Technical</u>	<u>Management</u>	<u>Feasibility study</u>
Bauchi	853	265	26
Borno	92	93	23
Gongola	87	37	9
Sokoto	211	130	38
Benue	498	153	53
Niger	186	115	28
Plateau	296	138	33
Kwara	n. a. *	n. a. *	46
Kaduna	n. a. *	n. a. *	80
Kano	n. a. *	n. a. *	14
Total	2,223	931	350

Source: I.D.C. Documents

* Not available

Clearly assistance is concentrated in the technical area. One could deduce that small firm problems or those that seem to approach the Centre are mainly technical in nature. This perhaps indicates a lack of technical ability for undertaking manufacturing activities among the average Nigerian small scale entrepreneurs (e.g. as Haris and Rowe contend). One may also argue that such concentration is only due to the fact that fewer instances of managerial problems are ever conceded by small firm entrepreneurs. Since the I.D.C. mainly attends to firms who have already identified their need for assistance, it is not unexpected that there are fewer instances of need for managerial assistance. The I.D.C. only seems to contribute to the emphasis in the technical area because of its attempts to establish mechanical

workshops and recruit more technical than management staff (even its logotype on its signboards consists of three mechanical wheels, suggesting emphasis on its technical function). Information available on the activities of the Centre therefore seem to stress technical assistance rather than management counselling or information provision.

Small enterprises in certain states seem to have benefited more than the others. Distance from the states of the I.D.C. office seem to have been a factor in the number of firms it was able to attend to. For example, the two states furthest away from Zaria (Borno and Gongola) have the least number of firms provided with assistance by the Centre. The state of Kaduna where the Centre is based has the largest number of feasibility reports written for new small firms. It seems therefore the decentralisation of the I.D.Cs. (and the creation of new offices in the country in 1980) is desirable.

The Maiduguri office being relatively new has not been quite as active comparably although it did inherit contact that already existed with the Zaria office. Similarly, it maintains contact with some of the entrepreneurs assisted by the S.I.C.S. As a major consultancy unit, the I.D.C. certainly is overburdened since all the other major institutions expect it to take care of whatever counselling or technical advisory services are required. Thus, for example, a loan beneficiary with the S.I.C.S., the N.I.D.B. or the N.B.C.I. in Borno State will be expected to seek advice from the I.D.C. Maiduguri. Cases of feasibility studies and market surveys for applicants are also referred to the Centre. This office with only 6 extension officers (four technical experts and only two management

experts) does not seem to have been designed to undertake the responsibility.

Of its other functions, the I.D.C. has achieved very little. For example, due to lack of a workshop and other facilities it could not undertake any meaningful technical research and training of entrepreneurs. The Centre's efforts in gathering information (technical and managerial) for dissemination to small firms is also limited though its library contains a useful collection. The effort in making any impact with what resources it has got resources is not impressive. Rather than any effort in creatively employing financial allocations from Lagos, (the Director refused to give any figures of financial allocation made to it but complained that it was inadequate) there seem to be unwise use of such resources. For example, the office has far too many staff who are not actually involved in the provision of services to small firms. Out of 30 employees at the I.D.C. in Maiduguri, only 6 are directly involved in providing services to small firms, while the rest are clerical staff, gardeners, guards, and drivers. One wonders why so many irrelevant staff is maintained.

The location of the I.D.C. office also does not reflect an understanding of the need for easy access to their services by small firm entrepreneurs. The effort in linking up with entrepreneurs and creating the awareness of its services is non existent. For most of the time therefore, the officers do not find the challenge of effective service to small firms as they are supposed to. The small enterprises sector is deprived of this important service. Since the Centre is the major government sponsored consultancy, advisory and

information unit to small firms in the State, these services are seriously inadequate.

4.34 The Industrial Training Fund (I.T.F.) and the Centre for Management Development (C.M.D.)

The I.T.F. and the C.M.D. are the two main organisations with the responsibility for developing technical and managerial manpower (not limited small enterprises sector) generally in the country. The I.T.F., established in 1971, (Maiduguri office was opened in 1983) is to promote skill acquisition in industry, mainly in the technological area. This is done by directly sponsoring candidates for placement in organisations for on-the-job training and in-plant training of employees of firms that cannot afford the training outside their organisation. The I.T.F. is one of the organisations where innovation is used to some extent in funding of enterprise promotion activity. The financing requirement of the I.T.F. is met through a levy on all firms with more than 20 employees. This no doubt has reduced the financial burden on the government of having to undertake all major enterprise promotion activity from its coffers.

The services of the I.T.F. in Maiduguri seem to be enjoyed mainly by larger firms. For example out of a total of 83 business enterprises that have used the facilities of the I.T.F. since its opening in 1983, only 2 are small scale operations. There is either the lack of effort on the part of the institution in giving greater attention to the small firms or the lack of such need in the small firms themselves. Both may be true. For example, due to the need to raise enough funds to facilitate the activities of the institution,

the main beneficiaries of the I.T.F.'s services are those institutions that contribute to its levy scheme. Small firms with fewer than 20 employees are cut off from the scheme. On the other hand, such a need to use the services of the I.T.F. by small firms may be restricted by lack of knowledge and the realisation of the need to train formally. Few small firm entrepreneurs are known to attend formal training. Fewer still can afford to release their employees (or indeed themselves) for training. Since the institution does not advertise or carry out any promotional campaigns to attract small enterprises to its services, there exists a gap in the use of the institutions facilities.

In realisation of the need for greater assistance to the small scale enterprises sector, the I.T.F. is planning to introduce direct training through its vocational and technical training centres (presently the Maiduguri branch has no such centres, and it has no contact with the existing State government owned Vocational Training Centre). This can be of significance for the development of small scale enterprises as the I.T.F. envisages the training of labour and entrepreneurs in production, machine use and introduction to new and/or alternative technology. This facility, however, may be doomed to failure or underutilisation if adequate awareness campaigns are not undertaken before starting.

To enable the I.T.F. to improve its services, Industrial Training and Advisory Committees (I.T.A.C.S.) were established in various trades: mechanical and automobile, electrical and electronics, textiles etc. The Committees have the role of identifying and investigating manpower problems and recommending improvement, in addition to providing assistance to enterprises of all sizes on

matters relating to training and the availability of trained manpower. These Committees recently submitted their findings and recommendations to the Government (the report was not released to the public at time of interview). The introduction of the vocational training scheme and the recommendations of the I.T.A.C.S. are, however, yet to make any appearance in Borno State.

The C.M.D. on the other hand is set up by the Federal Government in 1976 mainly to develop and promote high standards of management education, supervisory training and entrepreneurial development. Its Small Scale Enterprises Division has direct responsibility for the development of the sector. The Centre's entrepreneurial promotion role includes:

- (a). the identification of individuals and organisations in need of encouragement, the assistance they need and the best way to provide them with it
- (b). the collection and dissemination of relevant information on personnel resources to organisations in need
- (c). the organising of conferences and seminars for entrepreneurs and people engaged in the promotion of enterprises. These are used for training as well as for the sharing of views and ideas among interested parties necessary for the development of enterprise.

In relation specifically to the small firm sector, the Centre has facilities for:

- (a). training of entrepreneurs through taught courses and workshops on how to start and run small businesses
- (b). consultancy services to small firms on project development, investment decision making, and the whole area of entrepreneurial activities

(c). conducting research and provision of information to enterprises on new developments and trends in their areas of operation

(d). encouraging the formation of small enterprise associations to bring together entrepreneurs to exchange ideas and views on matters affecting their development.

Disappointingly, the C.M.D.'s activities have not been extended fairly to Borno State. It cannot obviously extend itself from its only office in Lagos to provide all these services effectively to small firms elsewhere. Its main contact over the years has been limited to a few seminars at the Ministry of Trade and Industry aimed at developing project appraisal capabilities of commercial officers in the Ministry. Few appearances have been made at seminars organised for indigenous entrepreneurs. Such seminars, however, seem to be of limited impact since they have tended not to emanate from any assessment of the needs of the small firm entrepreneurs. Taking into cognisance the fact that small firm entrepreneurs may differ in their needs, organising such seminars should be with an understanding of what is needed by small firms in the particular environment and by which group. The C.M.D.'s participation in seminars in the State is mainly academic in nature, and is based on general beliefs of what is needed. The facility of the Centre has therefore been largely absent in the State.

4.35 The Research Institutes

The Federal Institute of Industrial Research, (F.I.I.R.O). and Projects Development Institute, (P.R.O.D.A.) were established by the Federal Government to conduct research into industrial materials,

plant and processes and development of their findings to pilot stages. The research includes engineering design, development and fabrication as well as economic evaluation of viability of the projects. They also provide technical, analytical and consultancy services to existing and planned industries. Their services are not restricted to small scale entrepreneurs, but emphasis is on the indigenous entrepreneur. Since their establishment, the agencies have recorded some success in developing alternative technology, products, and production processes that have been established to be feasible for adoption in the country and especially for small scale exploitation. These are mainly in the areas of food processing and cosmetics. The achievements of F.I.I.R.O. include:

(a). food and drink technology: mechanised gari production technology, including gari flour production machinery, fufu (mashed casava) and soy-ogi (breakfast cereal from soya beans); table vinegar, smoked fish, tomato ketchup, peanut butter, mayonaise and salad cream production.

(b). products and processes: bottled palm wine production process, distillation of potable alcohol, beer production from sorghum and malted barley, mechanised cassava starch production, production of gums, glues and adhesives from cassava starch, production of ginger powder, detoxified cassava, and laundry soap.

P.R.O.D.A. on the other hand has developed the following:

(a). Science laboratory equipment and production technologies for: measuring cylinder, pipette, test tube stand, hydraulic press and others. P.R.O.D.A. already has gone into direct production of this equipment but can licence its production to interested indigenous entrepreneurs.

(b). Technology for the manufacture of comprehensive gari processing machinery and equipment; fully mechanised and local alternative production systems available.

(c). Agricultural produce processing equipment (e.g. maize sheller, seed planter etc.)

(d). alternative low-cost bread oven, and coal heated cookers for large-scale catering, kerosene heated dryer and shelf dryer, solar powered grain dryer, and foundry products.

(e). industrial blender for chemicals and pharmaceutical industries.

The production of these equipment and implementation of the processes can be carried out under licence by interested entrepreneurs usually at a fee. After sales services available at both institutions include full technical assistance to implement the projects, training of the entrepreneurs and their employees on the processes and full scale management consultancy.

The efforts of the institutions, notwithstanding, their presence, has not been felt in Borno State largely due to lack of promotion by the institutions of their activity in the State. For example, no small manufacturing firm has been established in the State using any of the findings of the institutions. There is similarly no representative office of these institutions in the State. Some effort seems required in the promotion of the developments of the institutions and awakening of the entrepreneurs to make use of their services if they are to contribute to the industrial development of the country, particularly Borno State. The successes recorded by the institutions are no successes at all in terms of information availability to small scale enterprises in the state.

The other important institution is the Leather Research Institute which was identified by almost all the leather making entrepreneurs as being a major source of information especially pertaining to production. Its importance as material supplier, and on the improvement of quality and advice on material handling and the like has been widely acknowledged by the entrepreneurs in the area. This institution may have been of importance to small firms simply because of its proximity to them, and perhaps for the fact that it is the sole functioning leather tannery, and is the main source of raw material for leather and shoe manufacturing small firms in Borno State. The availability of expertise of immediate relevance to small firms and specialisation has also made it possible for the institute to be effective in assisting small firms.

4.4 A CRITIQUE OF EXISTING STRUCTURE OF INFORMATION FOR SMALL FIRMS

Little useful criticism can be made of private sources of information to small firms since the way they are run is a matter for the owners to decide. Only the development of other more competitive services and adequate incentives can make them modify their present emphasis on high charges for such services.

The usefulness of all the Government sponsored agencies is generally limited. This is mainly because of lack of adequate preparation and the organisation for offering the services. The agencies are mainly established with broad guidelines on how they should operate and what they should do. Little attention has been paid to assessing their performance with a view to finding gaps in

their services and remedying them. Also little attention has been paid to efficient use of government resources.

The present structure is therefore inadequate. It is duplicating, stretching available resources and lacking in innovation. The present structure and facilities are rather more for the provision of material support than that of counselling, and provision of information which is required to upgrade the competence of management and the reduction of uncertainty in decision making in small firms. Too much emphasis is for example laid in providing material support (e.g. money) than on how to make the effective use of the material provided. This is indicated by the paucity of entrepreneurship training programmes. In fact only the I.D.C. may be said to be active in providing this service. This is inadequate for such a relevant service.

The existence of the three main agencies, the S.I.C.S., the N.B.C.I. and the N.I.D.B. side by side as financing agencies is duplicating resources. Since these agencies are funded by the Government, there is no point in maintaining all of them for the same purpose. Only one institution, perhaps the N.B.C.I., should be adequate provided its present shortcomings are remedied. This will reduce the need to staff three agencies, maintain buildings and so on while the agencies duplicate and not complement each others' services. The resources thus consumed could have made greater impact if made available to some of the institutions to develop entrepreneurship training and selection programmes.

The lending policies of the financing agencies is also not suitable to what gap they are supposed to fill. For example there is the need for the agencies to define their policies in terms of whether

they are to give loans on concessional basis to small firms or merely on commercial and profit seeking basis. So far as the purpose in establishing the agencies is concerned, lending should be on concessional basis. Innovation is needed in reducing the risk of default. The provision of adequate backup service preferably by other supporting agencies is without question important. The training of the staff involved in the lending exercise should be the starting point. None of these are presently emphasised by the agencies.

One other shortcoming of the present arrangement is the lack of information link between the agencies. There is too much individuality in providing assistance to small firms. This has also added to the duplication of the services. The major problem, however, is its limiting effect in providing a coordinated service to small firms. It limits the extent of referral service, exchange of valuable information on the entrepreneurs and their businesses, the business environment and the economy. Therefore, all the agencies often find themselves not very quick in referring an entrepreneur to the appropriate place for the support he is looking for and are often spending their effort in obtaining information from the sources rather than quickly from the other agency. The lack of information link between the agencies has also increased the instances of unscrupulous entrepreneurs misusing the services (e.g. receiving loans from several sources) without detection. The absence of important statistics and general awareness of information at the agencies is also limiting the usefulness of their service to small firms.

The arm-chair approach to providing services by the agencies, (i.e. waiting for the entrepreneur to come to them with his problems) is not suitable. Such an approach has limited what assistance the

agencies can give to what the entrepreneur tells them. It therefore reduces the agencies' ability to know more about the entrepreneur and his business and other factors relevant to his success in running the business. This is greatly responsible for increasing the ineffectiveness of the services provided to small firm entrepreneurs. The siting of some of the important agencies in distant corners of the country without any effort for a better organisation to extend their services to other states of the federation throws question into the Government's ambition of equitable industrial development of the country. It no doubt indicates the inconsistencies between government policy and action towards industrial development in the country. Generally, the effort in supporting small firms has therefore been limited not by lack of institutions to offer the services but by poor structure and approach to providing the services.

4.5 AN ALTERNATIVE STRUCTURE FOR PROVIDING INFORMATION TO SMALL FIRMS

A restructuring of information service is needed. The main emphasis should be in a coordinated service to small firms. Such a structure should aim at removing duplication of services and emphasise more effective resource use. An appropriate programme is where a balance is achieved between making available material resources and counselling, advisory, referral, and entrepreneurial training services. The main emphasis in supporting small firms should be in creating their capability in supporting themselves.

To achieve a more effective financing of small firms, there is a need for reducing the number of Government sponsored financing institutions. A credit guarantee scheme can be started to encourage

private financing agencies to increase their lending to small firms. The role of the Government sponsored financing agency should be in supplementing any financing gaps that may arise (e.g. making available a part of a loan that cannot be raised from private sources).

The I.D.C. on the other hand is likely to contribute more to the development of small firms if it concentrates on management development extension programmes. Unlike the present situation, these services should aim at training and counselling of entrepreneurs and referral to other relevant sources for their needs. Its research function is better left to the existing research institutions. The Centre should liaise with existing technical institutions in the provision of technical information to small firms. The C.M.D.'s role on the other hand should be in the training of the agencies' extension staff for effectiveness on the job. Such a training should inculcate the need to analyse the other side of the entrepreneur's problems (i.e. as against what he thinks are his problems) and creating the confidence in the entrepreneur to make use of suggestions that may be made to him. The agency extension staff must be able to distinguish with some degree of certainty success bound firms from those lacking in potential for a more effective support. This can, for example, be improved by looking at the important factors that impinge on the firm's performance. This will involve identifying the internal characteristics of the firm and of its environment (physical, economic and competitive) and comparing that to the skills and experience of the entrepreneur. There is also a need to define systematically the problems of the firm by correlating the defined characteristics of the firm with what information can be derived from an interview with key personnel in the firm to the problems mentioned to arrive at the core

problem. A useful problem identification interview method may be that which allows the entrepreneur to discover the root of his problems. This is to ask questions requiring the entrepreneur to say why he thinks he has problems, and what he thinks are the remedy for his problems, and invoking further thoughts leading to the real causes of the problem. Solutions to the identified problem can then be thought out with the entrepreneur actively involved, contributing his ideas which can then be developed by the extension staff.

To achieve greater coordination in the provision of assistance there should be a Management Committee made up of experts from the various agencies involved in providing service to industry. The Committee should be made up of experts in direct support of small firms and need not be the highest authority in the agency they represent. They nevertheless need to have the authority to make binding decisions. This committee should periodically assess the need for changes in the system and should create the necessity for sharing information on their activities. As these suggested changes are within the existing structure, there is little or no need for increasing spending by the government. The proposals emphasise effective use of available resources.

4.6 AN OVERVIEW.

The general picture one receives from the consideration of assistance available to small firms is that of the multiplicity of sources that can be referred to. However, there is largely an organisational inadequacy for providing the needed services. The facilities available are largely biased towards the provision of

finance rather than managerial support and counselling. In addition, there is considerable lack of effort on the part of the research institutes and the manpower training and consultancy services based elsewhere in the country in promoting small firms in the State

Financing and financial services available are also inadequate notwithstanding the existence of four main sources of finance. Due either to the lack of funds at the institutions, or the lack of ability to assess loan applications by the institutions, very few applicants are successful in getting loans. Poor loan management and backup service for borrowers has contributed to the entrepreneurs' delinquency in paying back loans leading to cessation of the proper functioning of some of the agencies.

Another shortfall to providing information to the small enterprise sector is the method of extending assistance. All the agencies, including the I.D.C. have an armchair operation, undertaking little awareness campaigns, expecting the small entrepreneurs to find them. In a state with a considerable lack of communication facilities, this approach leaves much to be desired.

On the whole therefore, the operations of the small enterprise agencies indicate that there are significant gaps in assistance to small enterprises through government sponsored agencies albeit the fact that information elsewhere for the sector is inadequate. The conclusion here is therefore:

(a). there is a significant effort in principle in the provision of support to small scale enterprises in the state. The existence of the I.D.C., the S.S.I.C.S. and the development banks appear to have

covered the various areas where the small entrepreneur is traditionally conceived of as needy; finance and management but,

(b). there is a lack of organisation and the ability in the agencies to undertaking their functions effectively.

(c). information, counselling and advice is inadequate as the services available are generally oriented towards the provision of material support indicating an information gap in the environment for small firms.

5 . PROBLEMS AND THE INFORMATION NEEDS OF SMALL FIRMS

5.1 PROBLEMS AND INFORMATION NEEDS, AN OVERALL VIEW

The problems and information needs identified by the entrepreneurs did not include any unexpected areas. Information needs mentioned are basically of three types: technical, managerial and resource acquisition related information. The question is however, whether the response represents the true needs of the firms. Small firm entrepreneurs are often believed to be unaware of their real problems and tend to interpret the problems as mainly due to their inability to find more resources. The problems of using what resources they have efficiently and effectively is often not recognised. Due to their involvement in running the business, they also tend not to be aware of what information is available even next door that should have been used. It is therefore important that the examination of the needs of small firms included an objective view of what they believed are the problems. This is done in examining the response in the specific areas. First, an overall view of the pattern of problems and information needs of the owner/managers as the entrepreneurs saw is presented in table 6 below.

Table 6 The Pattern of Problems And Information Needs

Information Area	As problems encountered during start-up period	As needs currently being felt
	%	%
Finance	18	23
Management	2	8
Marketing	8	9
Regulations	5	5
Technical:	61	56
machinery	(15)	(14)
raw materials	(12)	(13)
labour	(10)	(8)
production	(13)	(18)
premises	(16)	(9)
	100	100

Operational difficulties and information needs of small firm entrepreneurs appear to be in relation to the procurement of resources, and particularly in technical related areas both at start-up and currently. Difficulties in financing individually is the area most mentioned (18% of response indicating it as constituting difficulty at start-up and 23% currently), making it the area of highest need in the firms. Overall, the same pattern of response was received from all the entrepreneurs (it was tested for significant differences according to educational backgrounds, pre-business ownership experience and different industry groups). Generally, the problems and information needs mentioned are about how, and where to find physical materials rather than what and which information is

needed for management decision making, for planning or other strategic reasons.

The tendency of the entrepreneurs to see their problems and information needs mainly as financial and technical cannot be divorced from the influence of the environment, and possibly of a general lack of awareness of the need for management among the entrepreneurs.

Over the years, especially starting from 1983, due to the growing foreign exchange difficulties in the country, there have been difficulties in financing the import of industrial raw materials and machinery. The problem has tended to be serious mainly because of the general dependence of the industrial sector on imported materials and technology (Olaloku, 1979; Teriba, et.al. 1981). This lack of domestic based industrial raw material and technology and the problems of financing their imports placed most manufacturers in difficulties. The import dependency of the manufacturing sector for its raw materials and technology has tended to lead manufacturers in the country to look at their prospects as requiring them to overcome economic difficulties rather than lack of management creativity. The thrust of argument among industrialists of all sizes in the nation has therefore been focused on a lack of resources to improve their businesses. This is a convenient argument for them since it offers an excuse for their lack of productive innovations and growth as a result of poor management of resources and choice of inappropriate technology (which they may not have been aware of).

There is also an indirect influence of the environment on the economic performance of small firms. For example, due to the economic difficulties and inadequate imports of consumer products, the economy has been drifting towards what can be described as a sellers' market,

(National Concord, February. 3, 1987) and seems to provide a fair marketability of products to all sizes of firms. Most small firm entrepreneurs consequently may not find themselves disadvantaged in selling their products. The fact that they sell fairly well has given rise to complacency among the entrepreneurs, (who are mainly unaware that they have been complacent) and neglect of the development of competitive strategies to improve their markets.

The fact that a large number of the entrepreneurs came from technical background also seem to influence the emphasis in seeking information in the area. The generally poor exposure to management before starting the present business, and the attitude of the-more-modern-the-better (very much supported by the Government) seems to orientate the entrepreneurs to seeking technical and financial resources rather than strategically developing what is available. Where entrepreneurs are generally lacking in growth orientation, the environment can limit their awareness of the need to be opportunistic, thereby narrowing their vision mainly to problems which are commonly known and obvious, (giving rise to passive entrepreneurship). This is very much the case here. The response of the entrepreneurs obtained here has very much been influenced by these factors and consequently needs further examination below.

5.2 PROBLEMS AND INFORMATION NEEDS IN FUNCTIONAL AND OTHER AREAS

5.21 Finance

Finance is one area the small enterprise is generally said to be weak in. Small firms are mainly either found to be lacking initial

capital, working capital, or funds for further investment. These constraints to financing are said to arise due to their inability to gain access to external borrowing (due to being disadvantaged, or a lack of awareness of sources of funds and a lack of ability to communicate their needs to financing institutions). The conclusion is therefore usually reached that small firms are starved of funds.

The response in this research by small firm entrepreneurs to financing seems to support this image of the small enterprise, especially as the owner/managers see it themselves. Mention of financing difficulties is overwhelming both at start-up and currently in the firms, (18% of the responses mentioned difficulties in raising either start up capital or working capital and problems in financial management at start-up; 23% mentioned of problems associated with lack of finance currently). Significant difficulties are reported in locating and obtaining finance particularly from agencies. The majority of the respondents mentioned that they could have achieved more if they had obtained adequate financing during start-up or currently as they 'struggle' (as the entrepreneurs refer to their operations) to operate within this constraining factor. The majority of the entrepreneurs considered financing should be made available to them through some assistance programme.

The major impediment to their finding the financing they so much need, as they see it, varied and some are not sure other than that the situation is unfortunate and that the government is not interested in assisting them. Very few entrepreneurs mentioned lack of adequate sales to cover their growth ambitions (only 2% of the respondents). Yet fewer attributed their financing and financial problems to lack of knowledge of financial planning and management and

inability to generate funds internally. There are almost peculiar complaints especially with regards to obtaining financing from both private and government sponsored financial institutions. These include:

(a). a lack of understanding of the requirements of financing institutions

(b). a lack of knowledge about the process of approaching government assisted institutions and

(c). difficulties in approaching banks

Besides the difficulties in obtaining funds, there appears some need to improve financial management (though not considered a factor in financing), mainly understood as book-keeping by the owner/managers. A majority considered such 'financial management' only for the purpose of keeping them aware what money they made from sales rather than for use as a management tool for planning and control of finances in the firms. The concern for bettering financial management is higher in the 'current' response than at start-up period, presumably due to increased handling of finance in the firms at this stage than at the initial times when obtaining it is a prerequisite to most of the entrepreneurs. The response may equally have reflected the commonest problem in a large number of small firms; a lack of initial concern for proper financial management and starting on a shoestring. This has been identified as a cause which gives rise to difficulties and death of small firms during the early period in the firms' lifecycle. One fact that stands out clearly is the lack of adequate financial management in the firms. In only 4% of the firms was there any noticeable financial management. Knowledge of useful accounting procedures (e.g. accounting for depreciation, stock control and

financial planning and budgeting) are very poor, in fact absent in most of the firms.

The response of the entrepreneurs as referred to above only seems to confirm a common problem in research on the small enterprise sector. The typical small business entrepreneur mainly understands his problems as that of lack of finance, which he may attribute to discrimination by financial institutions, lack of government support etc. Seldom is the need to manage financial resources seen. This therefore throws doubt on any conclusion that may be reached on a lack of finance in small firms. I therefore considered it necessary to look beyond what the entrepreneurs said. The question is how far is the lack of finance the main problem in small firms operating in Borno state?

Determining the state of finances of small firms is quite a difficult task. Not only did they not have records that might be relied on, but such an attempt is often not welcomed and as in my case, has not been exceptionally successful. Not much performance related data was obtained. Significantly useful data obtained was only on the sources of financing used. Although this data is inadequate in ascertaining the level of financing needs in the firm, it is useful in indicating the availability of financing to the firms. This is important since the small entrepreneur believes for instance that his problems arise from lack of support from financing institutions. In table 7 are the sources from where finance, wholly or substantially, was obtained by the firms.

Table 7 Sources of Finance of Small enterprises
% Total Multiple Response

Sources	Financing during start-up		Current Sources of financing	
	frequency	%	frequency	%
Personal, other				
business, e. t. c.	77	48	28	26
Relations, friends	24	15	12	11
S. S. I. C.	19	12	14	13
Commercial				
banks	2	1	7	7
Development				
banks	10	6	16	15
Hire purchase, leasing, trade				
credits	8	5	1	1
Traditional				
associations	17	11	10	9
Local money				
lenders	3	2	4	4
Retained				
earnings			15	14
	160	100	107	100

A limitation to the facts in the table is whether the entrepreneurs have given the correct proportions of their financial structure (especially how much is borrowed) since borrowing is considered very much to indicate a lack of competence and not a good image for "the successful entrepreneur". Only the poor are thought to borrow. It is surprising that at one time the entrepreneurs are seeking financial support and at the other, borrowing is considered a

weakness. The inconsistency shows the extent to which the small firm entrepreneur can be unaware of (perhaps confused about) his real needs. There is great secrecy about the financial structure of the firms and there is little use of financial management as a component part of their development strategy. Small firm entrepreneurs tend to guard this financial "secret" with great fervour. This indeed is a problem in attempting any meaningful assessment of small firms even for the purpose of providing them with assistance. This is one area which has to be dealt with if greater success is to be achieved in the financing and financial management of small firms. Some effort had been put into getting the entrepreneurs to respond with minimum secrecy, though there seems no way one can claim (in this circumstance) that this response is absolutely free from insincerity as far as the financial structure of the firms are concerned.

Table 7 indicates that small firms rely more on personal resources especially when getting started. For example 48% of start-up financing was mainly from the personal efforts of the entrepreneurs, as compared to only 1% from commercial banks, and 18% from development finance institutions. As far as the response is concerned, it is clear that:

(a). small firms are largely dependent on non-institutional sources for their financing needs indicating the possibility of stretching individual financing efforts especially during start-up

(b). little money comes in from commercial banks and

(c). there are more sources of finance available to the firms currently than at the start-up period.

It can be argued that these are only to be expected since most small firms do not have the record to convince external sources of

finance, (e.g. commercial banks) to lend them. The response reflects the facts of the financial lifecycle of small firms (Weston and Brigham, 1979) which suggests that small firms generally would be more dependent on own financial resources at the early stage of their lifecycle. The current sources of financing however, does not indicate that there is as much conformity with the theory of financial lifecycle of small firms. The firms appear to be largely dependent on personal sources even currently indicating some abnormality (if the lifecycle theory is followed) in the financing of small firms, (e.g. in gaining access to external borrowing).

A major contributing factor is certainly the fact that the financing agencies are not active enough. However, the inability of small firm entrepreneurs to make a meaningful approach to the financing institutions is equally a significant barrier. For example, an examination of applications sent to financing institutions by some of the entrepreneurs indicates that they are merely letters requesting for some magnanimous action to rescue them from financial difficulties. They contain no further information on the entrepreneur or his business. There was an absolute ignorance of what information is required by the financing agencies to assist in evaluating the request for loans. The institutions on the other hand contribute to building the barrier by not replying such requests even to tell the entrepreneur to make a more appropriate application.

Although the main contention among the owner/managers is that agencies and banks are inaccessible and not very helpful, resulting in their dependence largely on private and other non-institutional sources, I also found some of the entrepreneurs deliberately refusing to use institutional sources. For example, in six of the interviews

the owner/managers pointed out that they cannot receive loans from any institutions or indeed individuals that require paying interest as they are forbidden by their religion, (Muslims are forbidden from taking or giving interests on loans). This may be another reason for the greater secrecy about the financial structure of the firms. It is important to this research since Borno State is predominantly Muslim (as indeed is the greater part of Nigeria), even though such a response was received from only 5% of the sample. This may have significantly influenced the supply of entrepreneurs in the state especially in the manufacturing sector since there are no such institutions as would provide financing on non-interest bearing terms, (e.g. an Islamic bank). The adequacy of non-institutional sources to meet the demand for entrepreneurial capital on a scale (interest-free) that could make an impact on the promotion of the sector is questionable. In this circumstance small enterprises are inevitably constrained in finding the additional financing, which is detrimental to industrial growth.

On the whole the information needs of small firm owners/managers are very much in financial management as well as in using available sources. The problem of financing small firms in the state is certainly two-fold. It is a case of inactive financing institutions serving uninformed, and to some extent unwilling small firm entrepreneurs. Besides the need for greater education of the entrepreneur in financial management and the redirection of his thoughts to self financing, therefore, the financing institutions need to respond to the needs of the small firms innovatively. A breakthrough needed is one that will enable the agencies to assess the

firms effectively and simply. One way that can contribute in assessing the entrepreneur is by introducing simple application forms which state all the required information for assessment. Such a form should cater for the general level of the entrepreneurs' education and perhaps that of the closest possible assistance he might seek in completing the form. It should take into account the fact that he is secretive about his borrowing habits and hence may not refer to experts to assist in completing the forms. The financing agencies, or indeed the other supporting agencies can do a lot to help small firms by developing simple book-keeping and accounting materials for adoption by those interested to improve their financial awareness and planning. If an entrepreneur fails to provide this information, he can not have any excuse for not having access to funds from external sources.

5.22 Government regulations

Rather surprisingly, but quite encouragingly very few entrepreneurs mentioned any difficulties arising from regulatory requirements. This is surprising mainly because it fails to support a widely held view that such are impediments to small firms' development. Small firm entrepreneurs' difficulties in this area are mainly in the registration of business premises, and business names rather than taxation and other constraining elements often mentioned elsewhere. This may have been as a result of the fact that the legal regulation of business itself is not developed or effective in the country. For example, most entrepreneurs were quite less worried about taxation since, they claimed, there is no effective tax collection

system or the need for registration for deduction of (value added) taxes from sales. Indeed some even boasted that only those who did not know the system ever paid taxes (indicating to the ease with which taxation is evaded). Most entrepreneurs are not even aware of any laws on accounting reporting requirement of any kind. Small firms therefore needed to devote little attention to such matters and do not realise the need for and the necessity to assess the firms' taxable position.

The entrepreneurs seem to understand legislation mainly in the light of policies affecting the firms physically. Therefore, the response of signs of difficulties received from the entrepreneurs mainly was concerned with dissatisfaction with government policies affecting the firms physically rather than in policies or measures requiring managerial competence. Thus for example most of the small firms complained about the Environmental Sanitation Decree which required some small firms to resettle. The effects of this Decree resemble the cases of government discrimination against small firms often mentioned, particularly referred to by the ILO Kenya Mission (1977). The Decree required some owner/managers to dismantle their factories in certain areas of towns and cities and consequently caused financial problems and in fact led to the collapse of others. This aspect of the "War Against Indiscipline" campaign (which interpreted the existence of small manufacturing firms within certain areas of towns and cities as contributing to urban filth and hence constituting indiscipline) has been widely decried in the state and the country as a whole and has since been discontinued. Mentions were also made of problems encountered with quality and price control departments, especially by the bakery owners. These problems seem to have arisen

mainly due to the inadequate communication of the requirements of the Government to small firm entrepreneurs.

Other than this rather unfortunate incident, (i.e. the W.A.I. Decree) none of the owner/managers considered that government regulations have been a barrier to their development or an area in which they need assistance. There is, however, a general feeling among the respondents not really supported by cogent evidence, that the government is against small business. This feeling appears to be caused by a lack of understanding of the workings of the government and the role it is supposed to play.

5.23 General Management and Administration

Only 2% of the responses indicated that there had been problems in managing their businesses when they just started. Also, only 8% mentioned they need to improve the management and administration of their businesses currently. Most of the owner/managers interviewed stressed that their organisations were generally informal and organisational relationships are fairly straightforward. Running the business is considered a routine they are quite used to.

This response seems to give the same image as the small enterprise owner/manager elsewhere as one who is not necessarily worried about instituting formal management organisation in the firm. So far as the entrepreneurs are concerned their performance depends very much on other factors, including finance. How far is the response a reflection of the quality of management in the firms? This is examined by looking at how well the management of the firms are organised.

The level of organisation and planning in the enterprise are good indicators of existence to some degree of management competence in small firms. Not necessarily becoming too formal and inflexible, a small firm can be well organised, with clear objectives, and a proper structure to achieving the set objectives. Such small firms are more likely to succeed than those that have no set objectives to achieve, or have very little idea where the business is going or have improper organisation for moving it forward. One advantage of good organisation is that of enabling effective communication in the firm. Such will create the opportunities for effective delegation which can be beneficial to small firm entrepreneurs in reducing their work load and enable adequate emphasis be given to the various functional areas that need attention. The mark of superior organisation in the firm is indeed how far responsibility and authority is shared and coordinated in pursuing the corporate goal. Its development is therefore important to the small enterprise. On the other hand, planning is also an important function which to a greater extent characterises high quality entrepreneurship. Planning offers the small firm the much needed asset, the flexibility in adapting to its changing nature and environment. The ability to seize opportunities as they arise is only possible if the owner/manager is skilled in anticipating and planning his operations with the possibility of allowing changes as need arises. Organisation and planning therefore can be seen as the vital growth hormone for the small entrepreneurship.

The management characteristics of small firms visited are briefly described in table 8 below.

Table 8 Management Characteristic of Small Firms

Respondents %	Nature of management organisation and planning
69%	Owner managed, total involvement. Very informal personnel relations, but authoritative paternalism type of management. Owner controls accounts, marketing, purchasing, supervises production. No visible structure of responsibility. Very little involvement of employees in any form of decision making. Planning only of production, of daily material needs often not documented and, Production decisions depend on stock clearance.
18%	Mainly owner dominated. A 'supervisor' is available. Some involvement of supervisors in purchasing and production decision. Planning mainly of materials purchases for a month or two, but usually shorter. Some involvement of employees (mainly the supervisor) in decision making, mainly of operational nature. <u>Communication flow is mainly top-down.</u>
11%	Supervisor in charge of production and employees. Answers to owner who is involved mainly in accounts. Participates in purchases of materials, accounts. Planning is short term, includes financial, sales, and production. <u>Some outside assistance sought in planning and accounting.</u>
2%	Delegated management, owner involved only in long-term decisions and finance. Little involvement of other employees in decision making. Communication flow is mainly top - down, though suggestions may be passed bottom - up through the supervisor. Planning undertaken by the manager, the accountants and the owner. Some strategic considerations. Planning includes routine and long-term, though inadequate midium-term. Plans appear rather rigid. Documented production and financial plans.

100

It is clear that the greater percentage of the small firms have very little organisation for participative management, or operate with clear plans for the future. In 69% of the cases the entrepreneur has absolute involvement in all aspects of running the business and rarely considers planning as a management tool. Only in 2% of the respondents is there signs of a modern approach to management with a

long term outlook. Most of the businesses have very little knowledge of materials management, stock control, and production planning. The common practice in the firms is "produce as much/many as we can in a day, week etc. so far as we sell them". There are personnel management problems, (especially a lack of awareness of the need for employee motivation). For example, only 12% of the entrepreneurs admitted ever seeking advice from any outsider or indeed their employees (except in the initial agreement between them) in matters relating to compensation and motivation. Although there is apparent peace in most of the firms I visited, some employees expressed their unhappiness over their non-involvement in decisions, and often a lack of trust and appreciation of their contributions by their employers.

Most of the entrepreneurs feel very reluctant to admit - and some aggressively reject the suggestion - that there is any management problem in the firm. This was for example shown on several occasions when I tried to find out from them whether the problem of lack of sales or finance and so on that they mentioned to me was not as a result of their lack of experience in taking strategic advantage of the size of their firms.

Similar cases have been mentioned during my interview with the I.D.C. and the S.I.C.S. where the entrepreneurs' abstinence is much pronounced in some cases leading to their rejection of any management assistance. An example of the lack of desire to accept modern management practice in the firms, especially planning is the case of a candle manufacturer who failed (even after several attempts by the I.D.C. to enlighten him on the need for planning), to introduce to his organisation. Where it hit him was in his stock control which became unmanageable and production became more erratic than could be managed.

This problem eventually led to his failure (especially as it increasingly became difficult for him to import) when he could no longer finance the breaks in production, looking for new employees each time he finds materials, and so on. In another case, a cement block maker refused to implement book-keeping (even though that was a condition for his obtaining a loan from S.I.C.S.). He only agreed to start it when he was threatened with the withdrawal of the loan. He was later discovered to have discontinued and unfortunately, it was too late, as it was found out by the S.I.C.S. that the business has ceased to operate. Such unwillingness to accept modern management is prevalent in the firms and is one of the major obstacles to their development.

Similarly the level of delegation of responsibility to subordinates is very low. The owner more often than not has direct control of all responsibilities. Where there are supervisors, their role is mainly limited to overseeing the production function and sometime sales but rarely in decisions that affect the business significantly. For example in one of the firms, even the most senior supervisor cannot make discounts on sales or buy consignments of materials without consulting the owner. In another, a shoe factory, the owner is solely responsible for designing, cutting, sizing, and stitching. Only minor jobs were left to his three employees. Although he believed that none of his employees is good enough to delegate the said functions to, from my observation they seem to exhibit the imagination and ability to handle the functions well.

It is clear that the majority of the firms are run without adequate planning by too busy owner/managers. In fact, if one were to place the firms in the lifecycle framework of Churchill and Lewis',

most of them only seem to be in the existence, and survival stages. True, small firms need not to be rigid in their management organisation, and long range planning due to the nature of their markets and as a measure of competitive flexibility. However, adequate short-term and operational planning and tactical readiness are important for achievement of management objectives even in a flexible competitive strategy. Therefore the lack of planning in the majority of the firms only indicates to general poor management in small firms.

There is a general lack of application of strategic management approach in the firms. For example in only 3% was there any product management strategies or the knowledge of the value of product development strategies. The use of diversification or product differentiation along their lines of experience and present business is almost absent. Only few use quality and customer goodwill as their market attracting strategy. Shocks arising from changes in market conditions, loss of a key employee, and so on, are therefore absorbed painfully.

There are also cases of lack of long-term commitment to the growth of the business in many of the firms. For example, a "strategy" commonly found in the firms is the starting of other businesses as soon as the present business reaches a stage which fetches a stable income to the entrepreneur and abandoning the old one to a brother or cousin. The richer owner/manager assumes the role of the boss and distances from the "dirty" business to seeking more "prestigious" business of contracting and trading. Thus for example about 36 per cent of the entrepreneurs have other businesses, mainly trading and supply contracting. Others operate taxis, cafeterias and other similar businesses. In one case the entrepreneur moved to Onitsha, his home

town, to become a trader leaving his business in care of a cousin. In another, the entrepreneur opened a restaurant, two beer parlours and a record shop in addition to his metal fabrication business. In yet another, the entrepreneur, even though he has apparently no other job, considerably distanced himself from his business, because he wanted more time to be with his friends. His previously successful leather/upholstery works had to be left in care of his younger brothers. Falling sales due to poor workmanship quality and little quarrels among the brothers are gradually ruining the business.

These tendencies are detrimental to the success of the businesses since the owners' time is so divided, and usually those to whom they entrust the businesses lack the technical and management ability. It is also not an effective delegation as some of the "cousins" and "brothers" with whom the businesses are left (mainly due to lack of trust in the other employees than their superior competence) have neither the right management competence nor sufficient authority to take the important decisions. These delegates are therefore often unable to improve the business even to the limit of their technical and management ability. As the entrepreneur is not there to supervise the operations, quick decision making is difficult, for example, even to take advantage of an opportunity in the market. Such delegates cannot take new investment decisions, or initiate changes in the firm even for the better without referring to the owner. This is a constraining problem since the owner is miles away or too busy or psychologically separated from the business to contribute to its revitalisation. Most of the enterprises are

therefore, usually left in a situation mainly of survival rather than growth management.

There is also generally a lack of will and the awareness of the need for undergoing management training. For example only 4% of the respondents had ever attended any form of management development courses. The greater percentage either have little idea on how or where they can avail themselves of such training (61%), or found no need to consider attending such courses (35%). Some of the entrepreneurs mentioned that experience (i.e. learning by being in business) is the best teacher - obviously a faulty adage as indeed experience is a costly teacher since learning has to be through the painful experience of failing the first time. Given the fact that 85% of the respondents have less than secondary school education, (and a good reflection of the background of entrepreneurs in the state) the possibilities of management self improvement through publications is also very limited. There is indication of a greater need for managerial information in the firms, on a greater scale than the need for material resources.

5.24 Market and Competition

As with the need for management and administration, the entrepreneurs expressed very little difficulties arising from inadequate sales and competition. This is the area where information need has been recorded as lowest in the firms, particularly at the current stage (only 2% of total response). Generally, the entrepreneurs seem quite happy with their sales even though naturally they would like an increased sales and expansion of activities. There were

only a few mentions of difficulties arising from competition which most of the entrepreneurs saw either from large firms or smugglers but rarely from other small enterprises. But the ease of entry into their area of operation is widely considered as ruining the "image" of the business, not through loss of sales but the entry into the market of very poor quality manufacturers. Emphasis in the businesses' competitive "strategy" is therefore mainly placed on building some reputation of superiority in quality. However, this is rather said than carried out actively as there was no evidence of spelt marketing strategies for achieving the quality image other than each entrepreneur claiming his product is superior - which is not unusual.

Some of the noticeable characteristics of their marketing practices include:

- (a). advertising and promotion are often word-of-mouth, or sometimes hand bills are printed
- (b). another common promotional tool particularly used at launching of a new business or new investment is the washing dinner party. The entrepreneurs provided a lavish dinner party to friends and well-wishers and associates who would help to "spread the news" about the firm.
- (c). there is a general absence of sale on credit. Need for debt management in most of the firms is therefore considered not to arise. It is also the common view in many of the firms that sales depend on "god's will", and "good luck".

Despite the contentment with the market situation, and the insignificant mentions of need for information in this area, several entrepreneurs indicated unhappiness in lack of growth in sales. However, only in one case did I come across an entrepreneur that made

any attempt at innovative marketing. This entrepreneur wanted to increase his sales by introducing a hire-purchase service but was unable to implement it due to confusion on its technicalities and had to abandon the idea. Generally, there is the complaint that government did not encourage them by patronising their businesses. For example, a furniture manufacturer claimed to have developed some new school furniture which he believes as having some advantages for use in primary schools. He claimed to have made several attempts to get the government to give him even a trial supply contract but to no avail. In another case, the entrepreneur blamed the government for the failure of his business. He claimed that the government promised to patronise his business when it started operating, putting his hopes high and encouraging capacity activity, but, failed to buy from him contributing directly to his problems.

There seems to me a significant lack of understanding of what constitutes problems in the area of marketing. The widespread contentment among the entrepreneurs is certainly the effect of the fact that they operate in seemingly a sellers' market (the continuity of which is uncertain as typical of the Nigerian economic environment), and, therefore, except in extreme cases of poor quality, or non-market factors, the products will be sold. Selling is not all about marketing but the entrepreneurs have little clue to that. They are unaware of the relevance of competitive marketing strategies in the firms, and lack the need to develop the firm's market position to enable it compete successfully and grow. Many of the firms may be said to be by nature placed advantageously in the market but they failed to make any competitive use of such advantages. There is greater need for information particularly on the problems of lack of product

differentiation and diversification into closely related areas and coping with and taking advantage of seasonal fluctuations. The approach to marketing by the entrepreneurs presently leaves one to wonder whether small firms in the state are at all flexible and have any competitive advantage over large firms.

5.25 Technical Related Areas

Difficulties pertaining to establishing and maintaining plant, and production appears to be the preoccupation of the entrepreneurs. Information need among small entrepreneurs are highest in this area. The percentage of mentions of difficulties in this area combined (i.e., machinery and equipment, raw materials, labour, production and premises) is 61% at start-up and 56% currently. Most of the difficulties mentioned are relating to securing of these factors rather than their management.

5.251 Finding machinery, equipment and raw materials

Obtaining the right machine and equipment, spare parts and replacement constitute a large part of the needs of the small entrepreneurs both during start-up and currently, (14% and 13% of total multiple responses respectively). The characteristic difficulties and nature of information need expressed in this area is best illustrated with these two instances:

(a). This entrepreneur obtained approval of a grant of N.71,000 from the Small-Scale Industries Credit Scheme (S.S.I.C.) for starting a new laundry business in Maiduguri. A feasibility report for the project was prepared and the project recommended by the Industrial

Development Centre, Zaria. The grant was to be released straight to suppliers of machinery and equipment by the S.S.I.C. Some of the required equipment were readily found in the market. A total of about N.23,000 was spent on the project. Some vital pieces of equipment however could not be found. The search for these parts took the entrepreneur to Lagos and Kaduna international trade fairs, and a general search with the major equipment dealers in many cities in the country spending as much as N.5,000 but to no avail. Eventually when he found one after a year and half, the price had gone up almost three-fold. An application was made to the S.S.I.C. to help meet this added cost. The S.S.I.C. needed approval from the Management Committee to meet this. As at the time of the interview the Committee had not released such approval or the project implemented after six years of its initiation.

(b). This entrepreneur was looking for essential piece of equipment to modernise his shoe factory. As the equipment could not be found locally, he needed an import licence for foreign exchange allocation. When he approached the import licence issuing office, he was asked to obtain a quotation from known registered supplier of similar equipment who could then be given the approval to import the equipment for him. He approached several equipment supply companies to get a quotation but he was either told to produce an import licence first before any attempt could be made to assist him or the companies were not interested. The entrepreneur has been writing to addresses abroad and elsewhere to obtain a quotation for the equipment to enable him to obtain a licence to import the machinery since the middle of 1983.

These instances show the typical experience of the average small firm entrepreneur in establishing a manufacturing business, and

particularly in obtaining equipment and machinery. This is seen by almost all the entrepreneurs as stifling their efforts in modernising their businesses.

The problem of finding raw materials is similar to that of finding machinery and equipment. The main difficulties mentioned in this area is the lack of information on local and alternatives sources. Frequent changes in prices, non-availability of licences and foreign exchange allocation to the small enterprises sector, are also mentioned as constraining factors. The difficulty appears to continue through the life of the entrepreneurship.

The problems and difficulties of finding machinery and equipment and raw materials are more as a result of the dependence of the manufacturing sector on foreign technology and raw materials as observed earlier and affects the manufacturing sector generally. For example, there have been severe shortages of raw materials, equipment and spare parts threatening the closure of many manufacturing firms of late. This is mainly due to the inability of the country to import their requirements because of foreign exchange difficulties.

It is however, one sided if one leaves out the fact that local firms have been rather uncreative in developing or even copying available technology. For example, it is not uncommon to meet an entrepreneur complaining of a lack of certain equipment which, with a little bit of creativity can be produced by the next door steel fabricating firm. Little effort is put into improvising tools that can not be obtained. Small firms in Nigeria contrast with those in many other developing countries, especially India and Tanzania where they are seen to be very good in improvising and creating alternative technology. Too much emphasis is being laid on modernising, perhaps

mainly because the government programmes for small firms seem to stress modernisation as the key to growth. This may be true but growth should come naturally rather than spontaneously. If small firms are to contribute to developing technological skills, they need to start by making use of available technology and improvise in place of the latest. The growth of importance of appropriate technology seems not to have reached small firm entrepreneurs in Nigeria. For greater realisation of the goals of the Government in providing support to small firms, information on alternative technology and technical assistance that encourage the improvisation of technology is the orientation that is needed rather than modernisation which cannot be achieved.

5.253 Labour

Information on skilled labour is one of the major needs. Looking for skilled labour is mentioned as a difficult task more especially during start-up. This is more apparent where the owner/manager himself is not technically oriented. Most of the firms rely on apprentices for their supply of labour and only few recruit from elsewhere. The main problem reported with the apprenticeship arrangements is the high turnover. Many of the respondents complained that they put a lot of effort into training them and more often they do not continue with these firms. Most of the firms, particularly the technical skill dependent ones therefore constantly are left looking for needed skills. These are often hard to get due to the fact that those who are skilled often try to establish their own small workshops. Where they obtain the Trade-Test certificate from the Federal Trade Test office during or after completion of their

apprenticeship they often take up higher paid jobs in more prestigious openings with the government and the large-scale enterprises.

The problem of recruiting from outside is another area where difficulties are reported. Recruiting from outside is mainly an informal procedure in the firms. A typical example of recruiting and selection in the small firms is to ask relatives or the employees to find a suitable hand. Informal interview or introduction by the recommending person is made and the new employee is straight away assigned duties. Whether it is apprentices or journeymen that are considered, recruitment is most often directed to the family, clan member or tribesman. The disadvantage of this practice is, however, the uncertainty of establishing the quality or integrity of the employee. For example, this aspect has been pointed out by one of the entrepreneurs, whose experience is quoted below. He told his experience that

...one time I was looking for someone who can take care of accounts. I had no money to hire a qualified person. So I employed a boy introduced to me by one of my friends who was quite good in book-keeping. I also thought he was alright. Unfortunately he took off with our money after two weeks just as we were starting to think how necessary such service is to the business... (Translated)

This experience led this particular entrepreneur not only never to delegate his finances to others, but also to completely abandon any attempt at introducing any improvement in accounting in the firm. Such lack of information on labour and recruitment and selection constitute

some significant difficulty in the firms. Nevertheless, compared to other areas of production, labour related information is the least of need, being only 9% at start-up and 7% currently indicating that the problem is more significant during early period of the firms' lifecycle.

5.254 Production

Although difficulties in production was mentioned by most of the entrepreneurs (15% as a problem during their starting-up periods and 11% currently) there is little evidence that supports that the firms are in difficulty (especially as far as technical skill is concerned). This function seems to be closely tied to lack of finance by the entrepreneurs, especially to their inability to obtain raw materials and equipment on time and at affordable prices.

Other problems which one should have thought of more importance (as against getting the latest equipment, as far as the production function in small firms is concerned), for example, seem to be only side issues to the entrepreneurs. These problems include those of improving quality control, getting used to standards and improving designs, factory organisation, inventory control and storage. These problems, seem to me demand more attention in the firms. The problem of factory layout seems to be endemic to all of the firms (perhaps due to inadequate space, and unsuitable premises). Generally, however, the quality of most of the products may be described as good, (especially for what price they fetch, as compared to the products of larger firms) and may compare well, for instance, in appearance (e.g. furniture), though may not in durability. This is perhaps due to the rigorous apprenticeship training most of the entrepreneurs and their

employees have. Increased efficiency and effectiveness in production planning and management may be necessary in the firms, but there is certainly less need for proficiency in the arts of production.

5.255 Premises

Difficulties in finding suitable premises appear to be only second to finding initial capital during start-up (12% of total responses). Most of the information need in this area related to securing suitable premises. The difficulty, for obvious reasons, is not quite as much after the start-up stage. In fact only 7% of total responses mentioned difficulties in finding information on premises currently. At the same time only 2% mentioned needs for infrastructural development in their existing premises. Generally, the difficulties associated with finding and developing premises is mainly seen as due to a lack of financial resources.

The condition of the premises I visited strongly indicates a greater need for attention in this area. Most of them are either:

(a). very small stores which provide mainly storage for materials and movable equipment, the main production being undertaken principally in make-shift sheds,

(b). made of corrugated zinc sheets, mainly on rented pieces of land which provide factory as well as storage facilities or

(c). a congregation of firms in wide pieces of land, with mainly zinc sheets partitions and sheds, demarcating each workshop while open spaces that may be left are used for general displays e.t.c.

Most of these completely lacked infrastructural and hygiene facilities. Ownership of a small power generating plant is generally considered to be necessary in most of the firms though only few in

fact have them. The average cost of obtaining a moderately "suitable" premises i.e., only fitting into the above categories is about N.160 a month.

It is not surprising that there is so much difficulty in finding suitable premises by small firms in the State. One reason is the fact that there are no estate agents or institutions that exist for providing assistance at cost or free in this area. Another reason is the fact that there are no industrial estates in the state. Small firms are the least able to meet very high rents. This has left the majority in the present state. It is therefore not surprising that the need mentions in this area is not much higher.

Generally, the perceived needs of the entrepreneurs are mainly for information on resources. Such information need does not differ from what support is available to small firms from government sponsored programmes except in the case of premises where there is no assistance at all. The existence of some of the programmes may in fact have influenced the entrepreneurs to see their needs in terms of the same pattern. The level of difficulties faced by small firms must therefore be as a result of the ineffectiveness of the programmes (which is true to some extent) and/or the underutilisation of the services by small firm entrepreneurs (which is to be examined in the next chapter).

The general pattern of the need mentions however, also shows the limitations of most small firm entrepreneurs; their inability to see the internal (managerial) deficiency to their growth and emphasis on external (environmental) factors. There is very little awareness of the need for information with the possibility of making a significant

impact on the firms' effective use of resources limiting the firms to survival or "fire fighting" (Houlden, 1986) strategies.

5.3 AN OVERVIEW

The problems and needs discussed above seem to indicate that small firm entrepreneurs lack resources and information for starting and developing their businesses. Of considerable difficulty are finance and technical information. Small firm entrepreneurs seem to have some real financing difficulties, as far as supplementing their personal efforts are concerned as well as problems in finding suitable premises. The response follows the pattern generally described in the literature and seems to support the claims in some research of the lack of access to material resources by small firms. Indeed most of the findings here are not completely unexpected, as one often finds them echoed by economic planners and enterprise development experts.

How far such responses are a representation of the real needs of the entrepreneurs does, however, seem questionable from what was observed of the management and other characteristics of the firms. For example, the entrepreneurs are more in need of information that will lead to securing finance and technical information. There is far less mention of the need for the proper management of such resources in the firms. Information on general management and administration, and marketing are comparatively less sought even though the firms have significant problems in these areas as well. There is a somewhat suppressed or unrealised incompetence in the management of the firms. The success of the firms needs as much managerial and marketing as other information. There is a considerable lack of business management

orientation in the firms. As far as the perception of the entrepreneurs of their problems and information needs are concerned, there seems to be only a little gap between their needs and what is available from small firm agencies. However, in reality the gap is much wider beyond this perceived needs since the needs of the entrepreneurs seems to be as much in management counselling and information rather than material support which the agencies seem to emphasise

It is unthinkable to suggest that small firms need an environment in which there are no problems to succeed. While it is appropriate to give small firms as much assistance in getting them on the route to success through organised support, therefore, it will also be expected of the entrepreneur to make best use of available resources and opportunities. Hence greater awareness of the need for strategic and tactical information is required. Since flexibility is a key to success in small firms, entrepreneurs need to master the art. The success of the firms can only be realised, if the management orientation can be improved through the inculcation of the realisation of the need to seek opportunities and using them with superior and flexible planning and organisation.

Considering the inadequacy of domestic technological development, and the lack of information and difficulties involved in importing materials and machinery from abroad, there is a greater need for information gathering and dissemination to existing and potential small firm entrepreneurs. There is need for small firm agencies to create and maintain a line of contact with national and international sources on technological developments, especially appropriate technologies which are designed for developing countries. The uncertainty in

selecting, running and maintaining such technologies can be greatly reduced with effort in that direction. Such information available perhaps will shift the attention of small firm entrepreneurs to more important growth factors, and lead to a competitive development of the firms.

6. SMALL ENTERPRISE USE OF INFORMATION SOURCES

The success of an information service lies not only in its efficiency in providing the service it is meant for. It also lies in whether those for whom the services are meant actually take advantage of them. In Borno State, it is not clear if such government sponsored services are being patronised by small firm entrepreneurs. As a further insight into the obstacles to small firm promotion, the question may be asked as to where small firms normally obtain growth related information. It may also be asked why they prefer their existing information sources over others, and what the barrier(s) if any, are to them using the agencies. Also the question may be asked as to whether the entrepreneurs are aware of the services at all. A consideration of the problems of assistance to small firms would be incomplete without understanding the general attitude of the entrepreneurs to available services, and the factors influencing their selection of information sources. This section will examine these issues.

6.1 MAIN INFORMATION SOURCES USED BY SMALL FIRM ENTREPRENEURS

6.11 Main Information sources Used: a General View

Finding information is mainly an informal activity among the small firm entrepreneurs interviewed. The search for information includes asking individuals within and outside the organisation,

writing requests or applications to institutions and relevant sources, and through normal discussion with business interests. At times information, especially technical related is pirated from other organisations or their employees. The most favoured method of receiving information, counselling, or advice is face-to-face, verbal communication.

From my survey the information sources more often used by small firm entrepreneurs for their various information needs fall into four main groups and are as shown in Table 9 below.

Table 9 Main Information Sources used by Small Firm
Owner/Managers

<u>Source Group</u>	<u>Specific source</u>	<u>Percent</u>	
Written sources:	journals, trade		
	magazines, etc.	(1)	1
Consultants:	small firm agencies	(12)	
	trade associations	(5)	
	Ministry of industries	(6)	
	research Institutes.	(2)	25
Business contacts:	customers	(3)	
	large businesses	(18)	
	other small firms	(13)	
	trade shows	(6)	39
Personal sources:	friends, relations		
	traditional associations	(27)	
	employees	(8)	35

The pattern of information source use was tested for possible influences using different factors that may be considered as

important to entrepreneurial success (e.g. the entrepreneurs' education, their pre-start up experience orientation, their motivation in being in business, and the location of their businesses). The same pattern of information source use was observed (no significant differences was observed at the .05 level) in two of the factors (motivation, and location). Education and experience seem to be relevant factors in which cases significant differences have been observed, even though Cramers' correlation coefficient indicated that the relationships are only weak.

The overall view is that small firms' information search is limited to few sources. Three main information source groups stand out clear. These are personal sources, business contacts, and consultants. But only few information sources within each main group are used. Publications on the other hand are predictably rarely mentioned. In fact I came across no publications which are specially prepared for small firm entrepreneurs for self development and only one for the purpose of providing information, (that prepared by the I.D.C. which apparently is not much in use as a copy was only retrieved from the Directors cabinet and was shown to me). It is, therefore, not surprising small firm entrepreneurs do not use them.

6.12 Awareness and Use of Government Sponsored Agencies by Small Firm Entrepreneurs

Quite a proportion of small firm entrepreneurs (12%) mentioned having contact with government sponsored small firm agencies for the purpose of obtaining information. This is surprising since it is assumed and often the impression given (e.g. as I found in my

interview with the secretary of S.I.C.S. and the Director of the I.D.C.) that small firm entrepreneurs are not aware of the existence of the agencies. Contrary to expectation, there is a widespread awareness (71% of respondents) especially of the main agencies existing in the State. Since each entrepreneur was not only asked if he was aware of each agency but also to list the services they offered, it seems that a majority of the entrepreneurs have at least heard of the main government sponsored agencies and their services. However, there is a wide difference between the percentage of those who are aware (71%) and those who actually have had contact with the agencies (only 12%).

The main reason for not contacting any agency for support by small firm entrepreneurs even when they knew of their existence and purpose was that they do not think there will be much support there for them. They also believed that to obtain any support, if there is, a lot of time must be wasted. Other reasons given by the entrepreneurs for not approaching one agency or the other for assistance include:

- (a). a belief in lack of relevant assistance,
- (b). inaccessibility due to anticipated red-tape
at the institutions,
- (c). distance,
- (d). could not find the time to,
- (e). could not communicate in English,

The problem appears largely to be that of lack of confidence mainly created by poor communication between the agencies and the entrepreneurs as in only few cases were the reasons given drawn from

the owner/manager's prior experience with attempts to use the agencies. In a majority however, they either were told by others who have had experience, or just had a belief that the government sponsored agencies were either irrelevant, ineffective or both.

This gap of confidence between small firms and the agencies seems to be created mainly by the inability of the agencies to give a better impression of themselves. For example, there is so much complaining about lack of incentives, lack of resources and personnel at the agencies that any individual meeting them for assistance is given the impression that they cannot provide assistance at the required pace. Their arm-chair approach to their services is also a contributory factor since the attempt is not made, (even though it is widely believed at the agencies that small firm entrepreneurs are not aware of their services) to reach out to the entrepreneurs and establish contacts. This inactivity is justified always with the lack of resources or personnel and so on (e.g. as the Secretary of S.I.C.S. the Director of the I.D.C. and officials of other agencies met put forward). This attitude needs to be reversed. The agencies need to improve their image and creativity in resource utilisation and must present themselves as capable of providing the services they were established to render. There is the need for the agencies to reach out to small firm owners/managers if small firm promotion programmes are to be successful.

Small firm entrepreneurs on the other hand are well known for their lack of will in seeking external advice and assistance, except perhaps when desperately looking for financial assistance and the like (Storey, 1982). They are generally said to cherish their independence, but such an inward looking attitude can contribute to their lack of

use of government sponsored agencies for information. For example, the lack of eagerness among small firm entrepreneurs interviewed to revealing their financial standing even for the purpose of research that intends to help create a more effective service to them indicates how lacking in cooperation they can be with outsiders. This attitude is worsened by the Nigerian environment where the problem of trust and ethnic differences seems to create the need to be cautious in confiding in others even when it is for the benefit of the person approached with assistance. Thus for example, before I could get to interview some of the small firm entrepreneurs, I had to find someone from the same area with the entrepreneur to introduce me despite the fact that I held my identity card, and a letter of introduction from my institution. There are also language barriers. Generally the staff of the main government sponsored agencies in the State being mainly from other parts of the country, the factor of lack of trust and language barriers seems to be a significant obstacle to use of the agencies by small firm entrepreneurs in the State and a contributing factor to the confidence gap.

6.2 GUIDING FACTORS IN INFORMATION SOURCE SELECTION

Three main factors can be identified as guiding small firm entrepreneurs' use of information sources. These are environmental factors, information source efficiency factors and the entrepreneurs' perception of their problems and what information is required.

6.21 Environmental Factors in Information Source selection

Environmental factors like proximity of location, and belonging to the same trade associations seems to play an important part in information source use by small firm entrepreneurs. For example, small firm entrepreneurs seem to have cordial information links with other small firms. Contact between small firm entrepreneurs for information (13 percent of the entrepreneurs mentioned other small firms as one of their important information sources) is mainly as a result of their environment. Naturally, one might have expected a situation of very limited informational contact between small firms, particularly those in the same trade since they compete in the environment for information. However, factors like the proximity of location to other small firms, and belonging to same associations seems to bring small firm entrepreneurs close especially in sharing operational information.

Many small firms in the State seem to be located in clusters. For example, in Maiduguri most small scale bakers can be found in and around Bolori area; steel frame and fixtures manufacturers are mainly along Baga Road while furniture makers are mainly around Gwange ward. Even where firms are outside of these areas, they seem to exist in groups of at least two to three small firms manufacturing same type of items. This seems to be mainly due to convenience, (e.g. factors like being able to find space) than to any government requirement, or serious strategic considerations. Most of the entrepreneurs also seem to have come in contact with each other either during their apprenticeship or working for another small firm. This is particularly the case in the mechanical and skill oriented firms. The relationship

seems to extend even after the individuals have left to found their businesses. Small firm entrepreneurs help each other solve especially technical related problems (in maintenance of equipment, and production problems). Sharing of facilities is sometimes common, (e.g. of tools among the metal fabrication businesses), and sawing machines among the furniture and wooden frame making firms, and even of production problems (e.g. among small bakeries). For example, in one case, an operator was loaned by one small baker to another which is based in Konduga (a town 30 kilometres away from Maiduguri) and had suffered a loss of employees due to a dispute.

I found such information sharing (especially on technical matters) between small firms to exist in many other locations. Pirating is also a common practice and a major source for obtaining information on designs, new techniques and marketing practices especially among tailoring, and furniture making firms (seemingly an unrecognised factor driving small firms to exist in clusters). This pattern of information sharing among small firms stresses the need for a programme of industrial estates which will no doubt enable small firms to co-exist in close contacts and encourage savings through the sharing of facilities and experiences as well as offering greater chances of providing centralised service to small firms.

Also a major influencing factor in information sharing among small firms seems to be the fact that most of the firms belong to one trade association or the other. For example all bakers are required to belong to the Master Bakers Association. Most furniture makers and metal and wood fabricating firms and many tailoring firms belong to one cooperative or the other. These associations are often used as forums for the exchange of views and information more especially on

government regulations, on raw materials, price fixing and so on. It is therefore not uncommon for small firm entrepreneurs to find out from the other entrepreneur, information on issues relating to the particular industry. Such information can be easily obtained since they often are not seen as competitively unwise to give away by the giving firm.

Although the benefits of these associations are mainly limited in scope of activities, (e.g. as a negotiating front with the government over legislative issues and similar cases), they provide good signs that, given the right atmosphere, small firms can reap the benefits of cooperation. It is unfortunate that presently most small firm entrepreneurs are not aware of the potential of trading contact or manufacturing cooperation with other small business, (e.g. in using the skills of their neighbouring small firm to build alternative machines and equipment, or pooling of their resources to trade competitively). Cooperation makes possible the pooling of resources, materials and talents and provides more possibilities of success.

The situation in the internal environment is quite a contrast to what obtains between small firms. It is, for example surprising that, considering the internal characteristics of small firms, the use of employees for obtaining information received a low mention. Since small firms are widely held to be where there is close relationship (though loosely knit organisation) between the employees and the employers, one would expect employees to form a good part of the information source of the entrepreneurs. This seems to be untrue. Employee/employer communication seems to be only one-way (top-down). In fact this response falls in line with what has been found in other research (e.g. Aguilar, 1967) that stresses the dependence of small

firm entrepreneurs on external sources for their "important external information". It seems small firm entrepreneurs depend on external sources (even though less on government sponsored and private consultancy agencies than not) not only for important external information whatever it may be, but for all major information leading to starting and running the small firm. This factor increases the need for qualitative information since its absence can mean the inadequacy of decisions leading to the starting of and running small firms successfully.

The failure of small business entrepreneurs to see their employees as sources of information is mainly as a result of a lack of trust and confidence in the employees. Small firm entrepreneurs seem to generally see their subordinates as lacking in awareness of whatever information they are seeking. It is considered in most cases not fitting to ask employees for ideas. One entrepreneur clearly put the case that:

I can not ask them on such things (referring to the problem of financing and financial control). I don't want them to think they are too important. This will make them not work hard. Moreover, (he added) I will only make fool of myself talking to them of my problems and asking them simple things. (parenthesis added)

This feeling seems to run through most small firm entrepreneurs and seems to indicate (in addition to a lack of trust) a problem of ego-rather than objective-centred management. Other typical comments I

received from the entrepreneurs on their relationship with their employees were for example such as:

I don't think they know anything, or so and so employees are skillful, but I don't think they have any better idea in so and so information area (Edited)

and similar remarks. I found this view not to be justified when talking to employees of many of the firms. In fact many employees of small firms seem to be aware of their businesses' environment, and some are steps ahead of their bosses in ideas for improving the business. In most cases however, they are reluctant or unable to contribute valuable information to the entrepreneur, due to poor internal communication. This is a major problem in small firms since it inhibits effective delegation, and increases the dependence on the entrepreneurs' capability to pay adequate attention to the various functions that they perform. As the firm grows, (if it does at all), the ability of the owner/manager to perform all the functions well becomes increasingly restricted. This seems to be a major contributing factor to the failure of small firms. Small firm entrepreneurs can achieve a lot by exploiting the benefits of internal effective communication and information flow.

The cultural environment also seems to be a factor in information source use. The selection of personal sources and traditional associations seems very much due to the cultural environment since these sources play important roles in Nigeria. The extended family system, and identification with the clan or village have been found to be playing important roles in the day-to-day life of the

individual and on entrepreneurial activity (Nafziger, 1969) (e.g. in providing material assistance, to the "sons of the soil"). The role of such family and clan connections in obtaining information, and particularly resources (e.g. licences to import materials, or obtain materials and machines from local importers, loans, etc.) cannot be overemphasised. It is not uncommon therefore, for small firm entrepreneurs (or indeed any other business entrepreneurs) to make use of their network of family, friends and clan relations, and to fall back on such sources to solve their difficulties (mainly seen as lack of resources) in running their business.

6.22 Information Source Efficiency Factors

Some factors considered by the entrepreneurs as important in leading them to select particular information sources are shown in Table 10.

Table 10 Factors In Information source Selection

<u>Main factors</u>	<u>Frequency of mention</u>	<u>%</u>
Easy access (no bureaucracy)	69	18
Convenience & proximity	34	9
Cost	23	6
Freindliness & personal	56	15
Quick to respond	90	24
<u>Relevance to immediate need</u>	<u>104</u>	<u>28</u>
Total	376	100

Several factors were identified as the major consideration by the entrepreneurs in their preference of one information source over others. The most important factors considered is the capacity of the information source to solve the immediate needs of the entrepreneurs, and the promptness with which such information needs are met. Other important factors are friendliness of the source and easy access to such sources. The price of obtaining information does not appear to be a major factor considered in selecting information source(s) by the entrepreneurs.

These requirements reflect the information sources small firm entrepreneurs contact often. The fact that small firm entrepreneurs are more keen on using information sources that are immediately relevant and prompt to their needs, that involve little bureaucracy and red-tape is not surprising and perhaps needs little comment. The preference of business contacts and private sources appears very much to be as a consequence of such factors since they may be more relevant and prompt to meeting the needs (e.g. information on materials) of the owner/managers.

In contrast, seeking assistance from a financing agency, for example, would involve a degree of bureaucracy and may not elicit a prompt response. Such bureaucracy, such as the requirement for form-filling, having to see several officials and answering probing questions, is a common characteristic of small firm agencies' services and are usually a deterrent to attracting small firm owner/managers. Formal method of providing assistance (e.g. providing assistance through other than personal channels) in the agencies also may not appeal much to the typical small enterprise owner/managers due to the need for prompt attention (which small firm agencies cannot satisfy

since they have inadequate data on the factors often sought by small firm owner/managers). The lack of attraction of such approaches in the agencies can also be increased where there is a high level of low educated owner/managers (which is the case), where their ability to comprehend such approaches may be limited.

What is surprising is the fact that the cost of obtaining information is not considered a factor. This is surprising since one of the main assumptions underlying the establishment of government sponsored agencies for assisting small firms is that small firm entrepreneurs cannot afford to use private consultancy services due to the high fees normally charged by them.

This response seems irrational and incompatible with the general feeling of small firm entrepreneurs that lack of finance is constraining their development. Since they do not consider cost as a barrier to their selection of information services, it can be assumed they have the financial resources (which they widely claimed to be lacking) to get information (especially consultancy services) from the relevant, private sources. Their lack of use of such information sources even in the general sense leaves a gap in our understanding of the real motivation for selecting other sources. The answer may be that the entrepreneurs do not know their real needs. It may also have arisen from their lack of experience in paying for information. For example, the information sources used by the entrepreneurs (mainly personal sources, business contacts, and government sponsored information services), attract little or no charges at all. This may have influenced their response and feeling about cost as a relevant factor or not in selecting an information source.

It is therefore important for a caution to be observed in considering whether fees should be introduced by small firm agencies for their services. An appropriate step to experimenting with the acceptability of fees to small firm entrepreneurs is to charge fees on a limited scale on few important services (e.g. in-house training on production, and material management) the benefits of which the entrepreneur is capable of seeing within a short period of time. A test marketing of this programme can, for example, be carried out by the I.T.F. which is responsible for training to establish the market for the service, and gauge the attitude of the entrepreneurs towards paying for services.

Generally, the factors considered does not seem to indicate anything which a small firm information service ought not to have incorporated in assisting small firms. The need to have an effective personal service to small firms is without question as important as the availability of material resources.

6.23 The Role of the Entrepreneurs' Perception of their problems in Information Source Selection

One other factor that seems to influence small firm entrepreneurs' information source selection is their perception of what constitute their major problems.

As theory suggests, information search and decision making habits of the individual are said to be governed by the nature of the information he is seeking and the limitations of his information 'environment' (Simon, 1955). Thus where the information is less complex, and routinised, the search for information will be in areas

with which the individual is familiar. The search may equally be conducted with a minimum of effort, (i.e. within those sources that are known best to the individual undertaking the decision process) (Cyert and March, 1963). In fact studies of how managers select information sources have indicated that the extent of search will also be limited by the individuals' experience and awareness of his problem environment (Aguilar, 1967).

The emphasis on information of operational importance meant that significantly routinised and perhaps less complex information is sought (e.g. where to find raw material or finance and so on). The likeliest places the entrepreneur will turn to for this information will therefore be those areas with which he is familiar. Large businesses and personal connections seems to me the natural sources to prefer as these are common sources they come in contact with often (i.e. restricting their information needs and source selection to the level of their awareness, experience and capability).

The limitation of the entrepreneurs' awareness of their problem environment seems to have influenced their selection of sources along the present pattern. Table 11 below shows for example, for what information each information source was consulted by small firm entrepreneurs.

Table 11 Reasons For Contact Made with Information Sources

Type of information this source was used for by the <u>entrepreneurs</u>	Main Information sources used (as a % of those who used the information source)			
	<u>Publications</u>	<u>Small firm</u> <u>agencies</u>	<u>Business</u> <u>sources</u>	<u>Personal</u> <u>sources</u>
Management	-	2	1	-
Finance	-	63	3	60
Technical/materials	50	28	73	12
Production	50	6	8	17
Regulations	-	1	2	-
Market	-	-	2	5
Labour	-	-	11	6
Total	100	100	100	100

The predominance of the need for technical and financial information by small firm entrepreneurs can be seen in the table. In nearly all cases the contact made with informationn sources are on the availability of finance, machinery, or material rather than seeking for assistance in managing these resources (a pattern of where-to-find resources rather than on how-to-manage their resources seems to be generally the preoccupation of small firm entrepreneurs). This emphasis seems mainly due to the entrepreneurs poor conception of their problems and needs. Such an emphasis has resulted in the entrepreneurs contacting sources which are mainly the suppliers or are believed to be engagaged in supplying the factors they so much require. For example, the entrepreneurs use personal sources and large businesses for their information mainly because the information they required is technical and resource related, (e.g. "hunting" for

information on raw materials, machinery, and finance etc.). Large businesses to a large extent are the main suppliers of materials and equipment, a major component of the entrepreneurs' information requirement. It is therefore, only natural for the entrepreneurs to keep contact with this source whenever they are in need of technical information (in agreement with their perception of their problems and needs).

The nature of information required and the perception of the entrepreneurs of their needs seem to be the major factors even in creating the need to contact the agencies. The services of the agencies (providing financial, or technical assistance or both), are often interpreted in a narrow sense as the provision of finance, and machines or equipment on loan rather than advice or counselling or even as training (which the entrepreneurs are less keen to avail themselves of). Small firm entrepreneurs seem mainly attracted to the sources because they believe all their resource needs can be met by these agencies. Thus for example, 91% of the contact made with the agencies are mainly for finding out if finance or technical assistance is available (Table 11). In fact, only those agencies that are directly involved in providing financial and technical assistance (the I.D.C., the S.I.C.S., and the N.B.C.I.) are those that are widely contacted. Other agencies, especially the research institutions (except the Leather Research Institute, which is a source of raw materials for leather and shoe manufacturers) and those in the service of the industrial sector in general that do not emphasise the provision of financial assistance are less patronised by small firm entrepreneurs.

The problem of this tendency is that small firm entrepreneurs do not take advantage of services necessary for improving their businesses through other than acquiring more resources. Another problem is where the contact with an agency does not yield the required information (which most agencies are ill-equipped to provide promptly as required by entrepreneurs) further distortion of the image of the agencies sets in the mind of the entrepreneur making him more reluctant to contact them again for whatever reason it may be. It may also entrench his feeling that finding resources is indeed the most difficult problem.

Which information sources small firm entrepreneurs consider relevant to solving their problems seems to be limited by their information environment (i.e. which information about an agency's aims and activities is emphasised in their perception, and what information need they were able to recognise in running their businesses) and their timing of when to look for information rather than the quality of the information they seek. While they consider what was referred to as "information source efficiency factors" (e.g. accessibility, ability to meet entrepreneurs' needs promptly etc.) as the major motivators in selecting information sources, these factors are only considered if the entrepreneurs' perceive the sources as useful in meeting their needs (physical resources).

Although small firm entrepreneurs complain often of a multiplicity of problems, their efforts in solving these (inadequately defined) problems are limited by lack of understanding of the need for counselling, advice and information. The main problems are therefore, that of the entrepreneurs not being able to define their problems, and that of seeking wrong solutions to the problem and mainly from sources

which are capable of providing merely stop-gap support. What they think to be relevant motivating factors in their information source selection cannot be taken for granted even though such factors (e.g. accessibility, prompt response to their requests etc.) are without question important factors in assisting small firms. Small firm services rather, need to awaken small firm owner/managers on the need for management and ability to define their problems in terms of opportunities, and threats rather than in the narrow quest for more resource. The growth of small firms cannot be achieved unless the capability of the entrepreneurs to plan for, sort out and use qualitative information at strategic, tactical, and operational levels is improved.

On the whole, it is not unexpected that small firm entrepreneurs limit their information search to these sources (personal sources and large businesses, and to a lesser degree small firm agencies) since they tend to have little time to share between the various entrepreneurial functions (Kilby, 1971) that they perform. As they tend to exert themselves more in the operational area, they are often left with little time for seeking information for far reaching decisions. Since information or planning departments may not be practicable in small firms in most cases as the available limited resources need be deployed effectively, most small firm entrepreneurs are left with few alternatives to consider, leading to poor decisions, and hence poor performance and lack of growth.

The usefulness of such information sources as are often used by small firm entrepreneurs for the competitive development of their firms is questionable. For example, it is very unlikely business

contacts (e.g. a major supplier of raw materials or a major customer of the firm) will be interested in counselling the entrepreneur on managerial or competitive development except where the success of such entrepreneur is of importance to the supplier or customer (e.g. in situations of subcontracting, and franchising where maintaining quality and standards are important). Such subcontracting and franchise small firms are few; in fact none of the small firms in this research is under such subcontracting or franchise agreement. Similarly, personal sources like friends and relations may provide very little assistance, apart from moral and to some extent financial assistance, (except where such friends and relations are in the professions), for the development of the firms. Information sources used by small firm entrepreneurs seems therefore to be mainly good at helping maintain the survival concept of small firms rather than the development of a growth oriented outlook of the entrepreneurs. The chances that small firms will be constrained in growth due to a lack of qualitative advice, counselling and support hence seems to exist. This lack of information contributes to the lack of development of small firms.

6.3 AN OVERVIEW

Generally, small firm entrepreneurs concentrate their information search in few sources (as a result of a narrow vision of what constitutes their problems), indicating a lack of consideration of adequate alternatives or assembling of qualitative information for decision making. Although small firm entrepreneurs are quite informed on the existence of small firm agencies, there is a communication gap

and a lack of confidence in approaching them for assistance. The major factors bearing on their selection of information sources are the nature of information they seek and their aptitude to start looking for such information only as its immediate need is felt. However, the inherent factor behind the pattern of their definition of their needs and which sources to use is their lack of entrepreneurial capability and awareness in undertaking the entrepreneurial functions (particularly assembling information on opportunities and taking advantage of supporting services). Small firm entrepreneurs are most in need of expert advice, counselling and information (e.g. on the choice of technology, types of financing and financial management, stock control etc.). Unfortunately they use sources that often have questionable ability to offer qualitative assistance. At best such sources offer shallow solutions just for the moment and at worst, assist in making the wrong decisions.

Due to these factors, it should not be considered adequate for small business promotion to provide only assistance or information in the various areas to small firms. Since to a large extent what the entrepreneurs consider as their needs are often limited by their lack of awareness of other more fundamental needs, it is important to influence fundamentally their awareness of the need for more relevant information that will bring about qualitative improvements in management decision making. The agencies therefore need, in addition to providing assistance, to make it a duty to enlighten the entrepreneurs on the need to define their problems in a wider perspective (for example, creating the need for strategic thinking and analysis) and develop the awareness that there has to be more than

one solution to their problems. This is in essence, helping the entrepreneur to be growth, - rather than survival - oriented.

On the use of agencies for information, the need appears largely to create the confidence in the agencies and bridge the communications gap between small firm entrepreneurs and the agencies. A reduction of red-tape and bureaucracy in attending to small firm entrepreneurs, for example, is imperative. An atmosphere of openness in listening to and assisting the owner/manager must be created. His perception of the agencies as ineffective must be overturned through the availability of practical assistance, (e.g. providing economic data, opportunities, and, sources and means by which resources can be obtained. Where this cannot be met, there has to be the ability to refer to specific sources for assistance. This is crucial to the small business owner/ managers since time is important for the competitive development of small firms.

7 . INFORMATION AND SMALL ENTERPRISE DEVELOPMENT:

A GENERAL OVERVIEW

7.1 A GENERAL OVERVIEW

The life of business enterprises depends mainly on the flow of information into the organisation. Information facilitates the assembly of opportunities and the means to exploit those opportunities. Information contributes to the matching of means and resources with the goals and objectives of the enterprise. Information ensures the performance of various entrepreneurial functions at all levels of the firm. The availability of superior information to the organisation may be a factor of its size and the resources available to it. The requirement for information in small firms can be much less in scope and complexity. It can be very specific at the point of need. Yet such small firms are faced with information difficulties because they have limited resources and managerial talent to devote to acquiring the needed information. The all-encompassing role of the entrepreneur in small enterprises can be a limiting factor in getting access to necessary information. This has often meant that the small enterprise owner/manager does not seek much information other than that immediately relating to a need that he has noticed. The urgency with which this need has to be satisfied and the inability to find the appropriate source of information can lead to severe problems and failure of small firms.

In many developing countries, as a measure to enable small firms contribute to development, and to realise an effective use of

available resources, different types of assistance programmes were set up. Nevertheless, there seems to be inadequate information on the support programmes, and, on ways of undertaking the entrepreneurial functions successfully to small firm entrepreneurs.

In this research, the availability of information and the needs of small enterprises in Borno State of Nigeria were examined. The main problem over the years has been the poor response of the small firm sector to the various policies for their development. No study previously has considered the real availability of information, and the barriers to small firm services being an effective aid to the growth of small firms.

The study identified several (potential and actual) information sources for small business development. These included conventional, voluntary institutions and government sponsored services. Commercial banks, private business consultancy firms and voluntary associations in the State can only be described as potential sources which presently offer little real service to small firms. For example, the commercial banks were found to be of little help even in their conventional area of providing financial assistance to small firms. They have over the years failed to make any substantial loans to the small firm sector in spite of increasing pressure from the Central Bank of Nigeria and the Ministry of Finance. This is not unexpected as the banks are profit oriented and their services are streamlined for those who can afford them. At the same time government guidelines intended to change the trend failed to provide adequate incentive and risk minimising scheme to induce the banks to make creative contribution to assisting small firms. Despite the fact that there is knowledge of this problem as has been found in other

developing countries, the authorities in Nigeria have failed to find an appropriate scheme to influence favourably the willingness of private financing institutions to support small firms.

The major Government sponsored agencies include the Industrial Development Centre, the Small Industry Credit Scheme, and the N.B.C.I. There has been some notable effort in providing essential services (especially material support) to small firms from these institutions. The services however, were poorly implemented. There are other institutions which have very limited presence in the State, including the N.I.D.B., F.I.I.R.O., P.R.O.D.A., the I.T.F. and the C.M.D. The practical usefulness of these agencies to small firms has been very minimal. The operations of the agencies generally have been limited in success due to inadequate organisation, poor resources management, lack of information about the services and inadequate information for small firms.

The research also looked at the information needs of small firms. It was found that owners of small firms emphasise difficulties more in the technically related areas and finance. Concern for managerial information are not great and lack of progress in the business is mainly blamed on lack of material resources especially finance. This finding is also not unexpected as it is easier for the entrepreneur to blame externalities on his failure successfully to start and run his business. There is a general lack of interest in and the awareness of the need for implementing modern management practice. One factor which seems to contribute to this tendency is the lack of entrepreneurial awareness of the need to grow. The economic situation in Nigeria (which, for example, is generally described as uncertain and lacking in information for effective entrepreneurship), however,

seems to contribute to the need for technical information and the urge to have more material resources. Information systems on material resources and incentive schemes required to take advantage of opportunities in small-scale, for example, are poorly organised. There is poor infrastructural development and difficulties in making any useful long-term predictions and plans. Borno State in particular seems to be disadvantaged in the generally poor information inflow due to its being far away from major industrial centres. Local entrepreneurs are cut off from the benefits of proximity to centres of industrial activity which may facilitate the growth of subcontracting and other services, or increase the flow of ideas about business opportunities, and how to take advantage of them in addition to giving entrepreneurs an experience of industrial culture.

Uncertainty in the economic environment indeed can render entrepreneurial activity too uncertain an area to attract many potential entrepreneurs and too difficult for active ones to engage in for long-term. The growth of distributive trade and service sectors of the economy (which have the advantages of quick returns on investment, great incentive in an uncertain environment, but with limited long-term economic impact) has indeed been identified (e.g. The Central Bank of Nigeria, Annual Report, 1984) as a direct contribution of the situation.

The main problem of information provision to small firms seems to be lack of communication. This is exacerbated by a poor entrepreneurial perception of their needs, the desire for meeting their needs (mainly material) urgently and the belief that the agencies are inefficient. Despite the apparent difficulties faced by small firm entrepreneurs in finding the necessary resources for

starting and running their businesses, there has been little effort on their part to seek assistance from government sponsored agencies due to lack of confidence in the agencies. They seem to prefer using mainly personal sources and trading contacts for solving their information problems. An important factor in their selection of information sources is their perception of the usefulness, accessibility, and relevance of the source to meeting their perceived needs. Government sponsored institutions are not considered accessible, useful or prompt in meeting the needs of the typical small firm entrepreneur and their approach to assisting small firms are seen as full of red-tape. This has created a gap between small firms and the agencies. Small firms entrepreneurs have therefore mainly not taken advantage of government sponsored assistance even though several such agencies exist.

An effective information service to small firms will require a reorganisation of the agencies. Improved coordination between the various agencies is required. There is need to reduce duplication of agencies to make effective use of resources. The approach of the agencies to information provision should make as its basis creating entrepreneurial awareness, their perception of the environment, of their problems and of the need to seek counselling and advice in running their businesses. There has to be a consistent and useful flow of information both on finding resources and managing the resources for business success.

A useful way to improve the effectiveness of small firm promotion services is by understanding small firms' problems and needs through the various stages of growth they undergo. The concept of the lifecycle of the small firm, (i.e. the stages the firm moves from when

it is conceived by the entrepreneur to its growth) holds the potential for efficiency of promotion services.

7.2 INFORMATION NEED THROUGH THE LIFECYCLE OF SMALL FIRMS:

A FRAMEWORK FOR UNDERSTANDING SMALL FIRM PROBLEMS AND ASSISTING THEM.

The process of starting and developing of small firms have been conceptualised as moving through stages (Tom and Marcus, in Scott et al., 1986). The growth oriented small firm goes through a transition, from start, through development, to growth (Churchill and Lewis, 1983). Such a transition brings with it changes which have to be managed if the firm has to grow. For example, the financing needs of small firms and the sources from where such needs may be met are said to change with the stage of development lifecycle (Weston and Brigham, 1979). Therefore small firm entrepreneurs have to equip themselves well, either with enough funds to execute their projects or the capability to raise funds from outside the firm when necessary. The need for management competence is also said to change through the lifecycle (Kroeger, 1974.). Strategies for the growth and development of small firms are important to be defined along the different stages of growth (Churchill and Lewis, 1983).

The need for information during the various stages also changes due to the fact that the type and strength of materials and personnel small firms may require do not remain the same. So also do their markets, competitors and laws and regulations that they may have to deal with. It may also be necessary for small firm owner/managers

to shift their information sources to emphasise new relationships brought about by the new needs. With the changing structure of the organisation for instance, the involvement of the owner/manager as solely responsible for information handling would have to change. So also do his sources from where, for instance, he may look for information develop his business. An understanding of the information needs of small firms through the lifecycle opens a new way of looking at the problems of and assisting them. The concept of information lifecycle of small firms is therefore a relevant tool to the strategic development of the small firm. Small firm promotion services may find the following chart useful for understanding, and organising their services for efficiency.

INFORMATION NEEDS THROUGH THE GROWTH STAGES OF

SMALL ENTREPRENEURSHIPS

Stage of small firm development	Problems that may be faced by small firm entrepreneurs	Information that may be required	Entrepreneurial requirement	Factors that may be important to consider to assist the entrepreneur	Assistance/ information that may be helpful at this stage	Information sources that n be helpful to small firm entrepreneurs.
Soul-searching	Inadequate self- awareness and the needs of entre- preneurship; poor support	Motivation and objective for business owner- ship, aptitude, experience requirement.	Awareness of shortcomings and strengths.	1.What are his moti- vations and objec- tives? 2.Are they compatible with those theory might identify with success?	Assist in defin- ing real moti- vation and objective. Assist in deciding his ability to stand the stress of entrepreneurship. Family must be candid on conse- quences that may follow.	Family, Caree Guidance Psychologist, friends etc.
	Inadequate awareness of requirements of types of business to choose from. Unaware of competition, reg- ulations, technical information	Which business to go into? What type of organisation? Where to locate which machinery and equipment?	Awareness of the business environment.	1.Which business is needed in the area? 2.Has he got any experience? Where can he possibly be successful? 3.Which processes of production is appro- priate? 4.Competition? 5.Availability of resources & support? 6.Feasibility of location?	1.Feasibility study. 2.Information on where, and what support to find.	Consultancy sources (e.g. IDC), other Business Information Services, and sources of market statis- tics
Pre-start up						

rt-up	Inadequate technical expertise in establishing plant, and starting production. Inadequate financial resources. No idea where to register business, find qualified employees. No market contracts, suppliers and customers	On plant and production establishment, getting finance, employees, registering business.	Energy, drive, patience.	<p>1. Technical ability What is the gap?</p> <p>2. Financing gap?</p> <p>3. Market awareness?</p>	Technical assistance in plant installation, production and product management. Counselling on marketing strategy, information on sources and types of financing available, sales management.	Technical institutions: Suppliers. Management Consultancy Services. Financing institutions:
Surviving	Inadequate or too much sales, capacity regulation, quality, unexpected competition.	Getting competitive developing and regulating sales organisational discipline.	Operational and administrative expertise, discipline and control on need for expansion.	<p>1. Is leadership adequate?</p> <p>2. Is awareness of competition there?</p> <p>3. Knowledge of stock control?</p> <p>4. Organising ability?</p>	Management counselling, need for control accountability and product and process Management Customer Service.	Consultancy Services, Technical institutes, Use expert staff.
Growing	Growth Plan, inadequate management organisation, inadequate resources.	Resources, Where to find? Which way to grow (vertically or horizontally)? Need for management organisation environmental analysis	Need for strategic awareness of the environment, delegate effectively.	<p>1. Is growth timely?</p> <p>2. Experience in area chosen to diversify into?</p> <p>3. Are resources adequate?</p> <p>4. Are resources available?</p> <p>5. Possible competitor reactions?</p>	Diversification strategies, availability of support, need for having expertise within the firm etc.	Employees (experts), Manager Counselling Services, Business Information Services

The stages of small firm development can be divided into five (as far as information needs for development is concerned). This include the soul-searching stage, the pre-startup stage (idea generation), the start-up stage (idea implementation), the survival stage, (managing the new firm to maturity), and the growth stage ("thinking big"). At each of these stages it is important for the entrepreneur to be aware of the needs and where information, advice and assistance can be obtained, and use them.

Each of the stages enumerated above presents potential problems that can be a source of frustration to the potential and existing entrepreneur. For instance an absence of information to conduct the various evaluations necessary for choice of an alternative course of action at pre-startup stage can be a serious problem. Small firms started without the rigours of assessment at this stage are certainly more prone to bad start-ups and eventual failure. The need to seek information from relevant sources is of prime importance at this stage. Sources which may be tapped are members of the family for moral and other support, career guidance for alternative employments and even psychologists and doctors to determine mental and physical readiness and ability to take entrepreneurial stress. The pre-startup stage is basically for assembling information on the business and resources that might be needed. It is important to define the business that might be chosen in relation to the ability of the entrepreneur, and his awareness of the environment. The start-up stage may usher in new set of difficulties for the entrepreneur particularly in relation to the assembly of the resources required, establishing market links and the process of getting started itself. The pressure and energy

requirement can cause the owner/manager who does not have adequate motivation, flair and energy to fold up before launching. Difficulties relating to finding resources at this stage can be the end to many small firms.

The fourth stage, (managing the survival of the firm) may be more tranquil period for the entrepreneur than the previous stages. Nevertheless, challenges are there especially for self discipline and operational and administrative efficiency and effectiveness. Lack of discipline for example, may lead to over-trading, and cash flow problems. The awareness of the necessity for resource management must be there. Indeed this stage effectively managed may provide a stable existence for the entrepreneur who is stability, rather than growth minded. This stage probably provides a wider test of entrepreneurial competence than any other stage. The types and scope of information requirement may increase tremendously as the entrepreneur tries to manage sales, control production, improve the product, supervise the whole activity and at the same time engage in the search for sources of financing, control stock and accounts. This can be the end for the entrepreneur who does not see the need to regulate his sales in line with his capacity and adequately control accounts and stock. The sources he may increasingly find himself depending on may be his subordinates, and professional services. He may also depend on his suppliers for trade credits for instance to finance the growing turnover of materials. So also on his customers for the changes in customer service requirements. The business's need for information at this stage grows in all directions. Indeed the entrepreneur has to be awake to all the environment of his business. The need for strategic planning is increased to improve the firm's competitive positioning.

The growth stage may not be a problem but may nevertheless not be less demanding than the rest. There are decisions almost resembling the soul-searching stage to take, and these must be implemented well. The need is to see that growth (expansion, diverification vertically or horizontally) is needed and can be managed. There is need for organisational changes and effective delegation, and the care in disturbing the competitive environment.

The usefulness of viewing the information need of small firms in line with this concept lies in its role in facilitating the designing of tailor-made information services for small firms. If small firm promotion agencies are aware of the stage of growth of a small firm, they will have a framework within which they can search for possible problems of the firm and its entrepreneur. In addition, information services or government statistical offices can, using such a concept, draw up a compilation of information that is more likely to be required by small entrepreneurs in the particular environment they operate in. Such data made available at the point of need to the entrepreneur can save him a lot of energy.

It may be useful to restructure small firm promotion activities in Borno State to emphasise the formation of well thought out small manufacturing firms, run by people who are carefully briefed on the needs of entrepreneurship. Small enterprise promotion can be organised along the growth path of small firms with:

(a). start-up assisting offices with a responsibility of assisting prospective entrepreneurs in defining their interests, and matching them with an area of business they can be expected to do well and assisting in feasibility studies (i.e. an entrepreneurship selection, and development programme).

(b). development offices to help start small firms that have been identified to be feasible. The agency can assist in giving the necessary information on where and how important factors can be found, and where necessary, give a back-up support to enable the entrepreneur receive the required assistance (i.e. an extension service programme)

(c). management developing offices for defining managerial problems of the firm and providing counselling, advice, or training as deemed appropriate. They can assist in making contacts with training institutions and liaise with them for developing programmes that will suit the need of the small firm owner.

The emphasis of the organisation should be in making the entrepreneur growth conscious. Success will be almost certain if the problem of a small firm entrepreneur and his need for information can be identified with minimum of delay. The information lifecycle concept holds much for the success of small firm promotion.

8. CONCLUSIONS

The main conclusions in this research include:

1). There are quite a number of small enterprise promotion agencies. However, these agencies lack adequate organisational ability to provide services to small firms. There is a lack of coordination, and duplication of activity among the agencies, and over-burdening of others through multiple responsibility. This in-effectiveness can be removed through increased information link between the agencies and redefining the functions of some of the agencies so that no two perform exactly the same tasks but complement each other.

2). There is inadequate support and particularly information, and counselling from the various agencies for small firms. There is a need for more effective assistance in the areas of management development information, counselling and creative approach to financing small firms. This can be improved by:

(i). creating an agency with the responsibility for the collection of useful industrial and entrepreneurial data, and passing usable entrepreneurial information to the various small firm agencies through an information network.

(ii). improving the information readiness of the agencies through effective information link with other small firm agencies for the

gathering and dissemination of technical and management information to small firm entrepreneurs.

(iii). financing of new firm startups and expansion programmes through a Credit Guarantee scheme. Turnkey projects may be developed for successful applicants for loans rather than cash disbursements to suppliers of machinery, materials or equipment for more effective implementation of completely new projects.

(iv). placing more emphasis on entrepreneurial development and training. More than an arm-chair approach to providing assistance to small firms is required. The agencies must be able to take the initiative in providing assistance.

(v). making available more information to small firm entrepreneurs on what is available at which of the agencies. It is necessary to de-emphasise the provision of material support to help create the need for management competence in running small firms.

3). Small firm entrepreneurs are generally aware of small firm promotion services, but are reluctant to approach them for assistance. There is a confidence and communication gap between small firm entrepreneurs and the agencies. This can be reversed through practical assistance (useful referral service, effective assessment of small firm problems and providing recommendations with little delay, and through greater accessibility to small firms entrepreneurs) from the agencies.

4). The perceived needs of small firm entrepreneurs are mainly in finance, and technical related areas. The need for and importance of managerial support is not as much realised. Environmental factors and lack of entrepreneurial awareness seem to exercise a powerful influence on small firm entrepreneurs' perception of their information need. The owner/managers need be awakened through training and development. An emphasis on in-plant counselling can determine the individual needs for training and create the confidence to attend seminars and workshops.

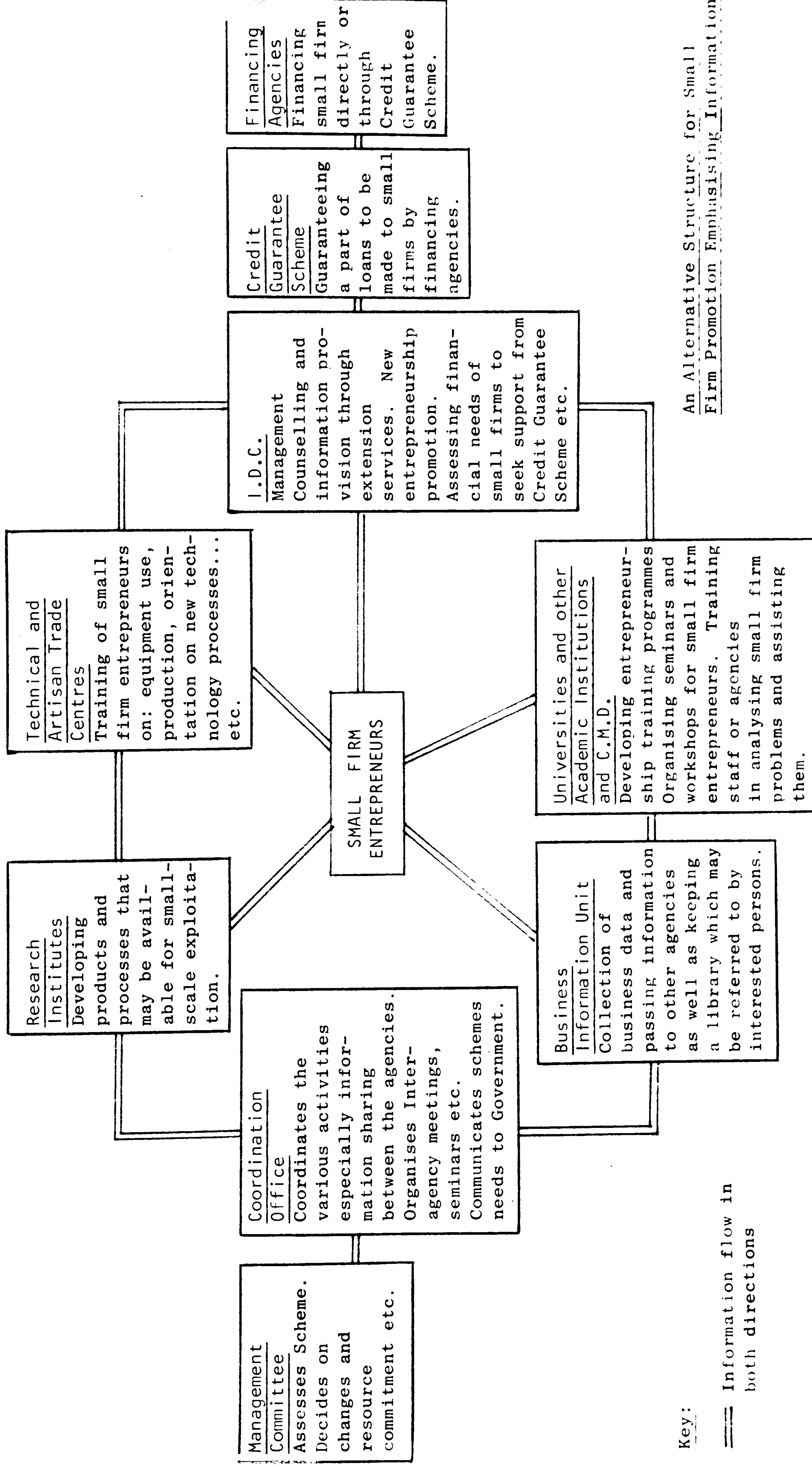
APPENDICES

APPENDIX A

AN ALTERNATIVE STRUCTURE FOR SMALL ENTERPRISE PROMOTION: AN EXPLANATION OF THE SUGGESTED ORGANISATION.

In view of the economic importance of the small scale enterprises sector in Nigeria and to achieve the desired goals of promoting growth and development in this sector a reorganisation of the structure of existing promotion scheme is inevitable. First of all however, it is important to point out the need to remove uncertainty and lack of data on all aspect of the business environment (uncertainty about regulations, import and export restrictions, quotas, licences, incentives and priorities, and that of lack of data on basic economic activities). A reactivating and redefining of the activities of existing government functionaries like that of Statistics office, and that of the Economic Planning and Information Ministries must be a prime consideration for the economic development of the country.

The main suggestion for an alternative approach in small enterprise promotion centres around the reorganisation of the existing institutions in the service of the sector, particularly the I.D.C. and the S.I.C.S. and establishing a comprehensive information inter-link between the agencies involved in such programme. The main frame of the proposed alternative structure for the promotion of the sector is set out in the figure below.



Key:

=== Information flow in both directions

An Alternative Structure for Small Firm Promotion Emphasising Information

There is a need for a management development agency, a Credit Guarantee Scheme, a Technical Training agency, Research centres and an Information and Coordination centre. Only the Information and Coordination centre and Credit Guarantee Scheme will be totally or partly new.

The main reorganisation is to be in the local I.D.Cs. where the present structure of one unit charged with the responsibility for various activities will have to be dropped. The new organisation will have management development alone as its major emphasis. There is need for the I.D.C. and possibly the Business School of the University to work together towards achieving greater success in management development activities. The present aim of having to establish workshops in each of the existing I.D.C.s to provide technical assistance, and develop products needs large financial expenditure and causes unnecessary dissipation of development efforts, in addition to the problem of the lack of expertise to man them effectively. Rather there should be emphasis on project and entrepreneurial identification and promotion exercises.

The management development section of the I.D.C., in addition to providing assistance to active small firm entrepreneurs, should develop programmes for entrepreneur identification and training, and promoting them. Entrepreneurial activity among technical graduates of artisan trade centres and universities and so on should be encouraged. The I.D.C. can match identified entrepreneurial talents with identified project opportunities for small scale operation, (e.g. those that may be identified by the research institutes). A second function is to create a viable extension service, through which the centre can assist existing small firm entrepreneurs. This programme's

main goal is to create and develop appropriate and dynamic small-scale entrepreneurs.

The difficulty in the way of establishing this orientation in the I.D.C. will be that of staffing. This can be adequately solved at very little cost by making an effective use of business, economics, accountancy, and technical graduates on the annual National Youth Service Scheme. These graduates can be deployed as extension officers since currently a large number are rather underutilised. Due to the inexperience of the graduate youth corp members however, they need to be oriented in the techniques of extension service and in awareness of the main small enterprise assistance frame. This can be done by organising 4 - 6 weeks intensive course on extension service, probably to blend with the normal orientation programme at the beginning of the service year. The graduates can then be placed at the I.D.C. local offices and be encouraged to develop personal relationships with small enterprises by paying unsolicited visits and offering assistance, and where possible pass on relevant information and suggestions. This to a large extent will create the confidence needed to open up the small entrepreneur to seek and accept external assistance. Such Youth Corps members may be seconded to run small firms where a need is discovered during such contacts, if the entrepreneur agrees to that. Such an avenue can be used to put an entrepreneur on the right track, enabling practical training. This system will not cost much to implement since the National Youth Service Corps members are already paid by the Schemes directorate. At the same time, the scheme may be used as a source for the creation of a pool of expertise that can take up permanent employment in the I.D.C.s or in the other agencies as extension and project development or research staff. Even where

permanent employee pool could not be developed for one reason or the other, the N.Y.S.C. scheme can provide a constant stream of expertise.

The three already developed regional I.D.Cs. at Oshogbo, Owerri, and Zaria can continue to function but as business feasibility development centres. Each of the centres should emphasise the regional differences in the country (with regards to differences in industrial prospects, e.g. availability of materials and market prospects) in their studies. The centres should be orientated in their research effort towards the predominating small enterprise activities in the regions they exist. For example, Oshogbo can be oriented in the area of wood, rubber and food and beverages; petrochemicals, iron and steel, electrical and metal in Owerri, and leather and agro-allied industries and textile in Zaria. These specialisations will streamline the activities for effective use of expertise in the various areas and give rise to industries that can give Nigeria comparative competitive advantage. The Centres should work closely with the various research institutes for the exchange of information on research findings in their respective areas and more especially on those that can be put into small-scale exploitation. Such feasibility reports and the developments of the research institutes can then be fed into the Information and Coordination Centre.

Technical training and counselling can be undertaken by existing Artisan Trade Centres and the Polytechnic while research and development remain with the existing institutions.

The role of the Business Information and Coordination Centre should be in the gathering of relevant data on different types of industry, including technology, processes, and materials. It should also look for and document information on local industrial capacity.

and competition. The responsibility of the units will include scanning the regional environment for small enterprise opportunities and the gathering of information on suppliers of materials, machines and equipment, maintaining contact with international organisations in the area of small industry development as well as working in coordination with several sources of important economic statistics. The units will also work closely with training, research and academic institutes in the pursuance of these responsibilities. In addition to what is fed into the centre by the research institutes, this collection can be held for use by interested small firm entrepreneurs. Such information can also be fed into all the other agencies so that referral becomes easy.

The importance of this unit lies in the effort to reduce the lack of information (on both their activities and on their operational needs) that enshrouds the small enterprise sector. For instance information on various sources of finance, materials and market opportunities existing in the regions, which the existing efforts of the small entrepreneur may not be able to determine, can be available at such units or accessible to extension officers who might be confronted with such a need by the entrepreneur. Information on characteristics of small entrepreneurships, their management styles and characteristic problems can be fed into this unit by the field extension staff for further investigation and for keeping the units aware of changing small firm needs.

It is important to point out that the purpose of this unit is not to serve as an intelligence unit for individual firms. The capability of individual small firm entrepreneurs to scan the environment for competitive information must be developed in the

normal course of the extension services. This is the only way competitiveness can be instilled in small firm entrepreneurs. The effort is in providing basic operation information rather than serving as personal intelligence units to all the small enterprises which would be feasible.

The Coordinating unit will have the responsibility for facilitating the coordination of the various units, liaising with other government institutions for policy and activity appraisal and the need for funding and other matters. All the other agencies will send reports to this office for appraisal and the making of a general report for the Information Centre libraries.

The problem of financing also needs a new approach. Since there are already two Government sponsored banks (in addition to private commercial banks) for the promotion of industry, the S.I.C.S. should emphasise the guaranteeing of loans to be made to small firms. This is to facilitate an increased participation of the commercial and other private lending institutions in lending to the sector without having to look for large collaterals and or make high interest charges. A Credit Guarantee Scheme can be set up on similar lines to what is existing in the agricultural sector, the Agricultural Credit Guarantee Scheme. This scheme has been found to be useful. Set up in 1977 with an authorised capital of N.100 million, (which by end of 1983 has grown to N.212 million), the scheme guarantees 75% of the amount in default net of any amount realised by the lending bank from the security pledged by the farmer. It guarantees loans of up to N.50,000 loan for individuals and N.1 million for corporate bodies and cooperative organisations. The scheme is administered by the Central Bank of Nigeria.

Due to differences in relative importance of the agricultural and industrial sectors however, the small enterprise guarantee scheme does not have to be on the scale of the Agricultural sector. Moreover, the agricultural scheme includes the large scale sector as well. Hence a scheme in the region of N.25 - N.30 million would be quite adequate since, provided the degree of extension and supervision of the sector suggested above, the emphasis on internal generation of funds and prudence in financial management can be greater (the stress therefore should be less on actual provision of finance). With the availability of information on the sector to the financing institutions the determination of risk and control and certainty will be much improved hence lessor need for higher guarantees. Small enterprise Credit Guarantee Schemes have been found to be very useful in the Phillipines and Indonesia where lending to the sector is found to have increased substantially on the institution of such schemes.

Under the general frame of small enterprise promotion as provided above, the I.D.C. can provide the necessary link between the Credit Guarantee Department and the small enterprises. Applications and financing needs can be assessed and type of financing required specified and recommended by the extension staff where the entrepreneur cannot efficiently do this by himself. Possible alternatives should be considered on the basis of information available to the staff and the entrepreneur. Where financing is required from the financing agencies the small enterprise will then submit an application to the Guarantee Department which will select the institution most appropriate to financing the enterprise. The I.D.C. will have access to supervising the beneficiaries in effective use while the local S.I.C.S. sees to the repayment of loans.

The benefit of the credit guarantee scheme lies in removal of the financing agencies from wider exposure to risk. The scheme also clears the way for effective participation by the financing institutions in developing and providing financial assistance to the sector not being constrained by the fears of over-involvement in the case of failure. Hence it provides the experience and understanding necessary for participating in the sector. Another avenue for improved financing of business startups and expansion programmes is the use of Turnkey project financing schemes, whereby projects put forward for support can be initiated for the entrepreneur. The financing institution may have a choice of seconded management, to enable implementation of the project. Such projects established would provide physical security in case of default. Title to the equipment and machinery financed should be held by the financing institution until the loan is liquidated.

Towards an effective coordination and assessment with a view to instituting changes and improvements in the scheme, there should be a Management Committee, drawn from the various participating agencies which should from time to time meet and draw up schedules for improvement both in the services and the communication network. The members should have the authority of recommendation and implementation of action in their various organisations and access to information pertaining to the whole scheme. These should be experts rather than administrators. Similarly, at the lower levels of extension services, of lending officers and guarantee assessment officials, there should be a forum for information and experience sharing through inter-agency workshops and seminars, and from time to time such meetings be held with entrepreneurs to build confidence in the scheme.

It is necessary to mention the need for flexibility in this new organisation for small firm promotion. Rigid bureaucracy must be avoided through consultation. The main point to bear in mind is that all the agencies are for one purpose; the promotion of small firms.

APPENDIX B. SOME CASE HISTORIES OF SMALL FIRMS STUDIED

These case studies show the nature and the difficulties sometimes experienced by existing and potential entrepreneurs in starting and running modern small scale businesses in Borno State. The studies also provide some insight into the typical backgrounds of modern small firm entrepreneurs in the state and the organisation of their firms.

N.B. True names of entrepreneurs and in some cases their exact locations are not revealed in these cases in conformity with my undertaking before the interviews were granted and permission to include the studies here.

CASE no. 1 ADEGBODE SUPERCUT TAILORING AND GARMENT MAKER

Age of entrepreneur at start of present business: 36

Educational background: Secondary school, Certificate in Tailoring

Motivation in starting business: make money, control

Adegbode "Supercut Tailoring Services" was founded in 1975 by Messrs Adegbode and Jimoh, who are both qualified tailors and are experts in making native as well as western-type clothing. The firm was initially started by Mr. Adegbode in 1973 when he returned from England after a period of training and working experience between 1966 and 1972. He built up the idea of starting a ready-to-wear apparel manufacturing in Nigeria in his home state of Bendel. With his savings in England he managed to buy a number of new and second-hand machinery and equipment to assist him in his endeavour.

On his arrival in Nigeria, however, he was met with several domestic problems including a burial ceremony of his mother which had been put aside awaiting his arrival. In addition to other costs he faced in settling down, it proved too much for his expectation in financial terms. In the process he used up most of his money and was unable to start. In 1974 he moved to Maiduguri to cut off some of the domestic drain on his earnings which until then he obtained through a one-man tailoring operation which he started. He also thought Maiduguri could offer more opportunities since there were fewer such services (as he gathered from friends) in the area. He operated quite successfully in Maiduguri the first few months he was there.

The nature of his tailoring service then was mainly a one or two man operation at most, with apprentices. It mainly entailed customised service where individuals brought their cloth for different designs and fashionable dress. Adegbode usually assisted customers in the choice of fashions where individuals were undecided, and kept quite a collection of patterns from where customers could select for themselves. His employees are mainly apprentices who sometimes had to pay some amount for the learning they are doing but they assist in doing most of the menial jobs. There was little market promotion activities and business was conducted mainly through goodwill of the customer and word-of-mouth.

Mr Adegbode operated his business quite successfully but still fell short of his desire to set up proper garment manufacturing firm due mainly to a lack of money. It was during a local function that he met Mr. Jimoh who also had similar ambition of entering the garment manufacturing business and was at that time in tailoring services like Adegbode. The two became quite good friends and five months after they have met decided to start the garment manufacturing firm together. An agreement was made between the two for Jimoh to provide working capital to cover at least the first three months of operation while Adegbode will bring in his equipment. The total investment cost was placed at N.13,670 in machinery and equipment and N.7,200 in working capital and contingency cash balance.

They were faced with some problems; the first was finding a suitable premises. They failed to find a suitable site for the monthly rent they were willing to pay and decided to settle in Jimoh's workshop which was roomier than where Adegbode was. The second problem was employees. Besides pooling of the apprentices under them, they needed some fairly qualified operators. The only avenue available was to ask

around or talk to other one-man tailoring services to see whether they could join in. They eventually got interested tailors to join them as employees. Excluding the apprentices who numbered four by now, there were other five employees. A third problem was market. They are not sure what garments to go into initially and how to go about establishing the market links. As there was no known western clothing makers to them (especially suiting for men), they decided that it was a safer area to go into. Also they decided to use Adegbode's workshop as a retail outlet, and would eventually seek a link with any of the major retail outlets in the city. They expected a high patronage based on their popularity as individual tailors. Managerial responsibilities was divided between the two directors; Adegbode in charge of marketing, and finance and Jimoh in charge of administration and production. A supervisor was appointed to look after the manufacturing floor.

The first few months proved very trying for the firm. The expected demand for suiting was not there. There were very few sales and salaries and other expenses had to be met solely from cash in hand. During the next few months the directors decided to change lines and go into making men's trousers and shirts which require less time to make and less money on materials. The firm produced about ten pairs of trousers one day and ten shirts the next day but sometimes fluctuations occurred depending on the availability of material, and sometimes power failure. Managerial problems they had at this stage included a lack of production planning and proper record keeping. They were also faced with a problem of space. Due to lack of space, materials could only be bought in small quantities. Little was done to solve these problems.

The urge to solve the problems were weakened further by the relative prosperity the firm started enjoying. The market prospect of

the firm was boosted when in 1977 there was a ban on importation of ready-to-wear garments. A leading retail shopping unit contracted to buy their products wholesale. Since then they had no market problem. Sales had averaged about N.7,000 a month, and taking off the expenses of salaries, materials, and utilities, a nett balance of about N.1,000 was made. This was quite impressive and gave satisfaction to both entrepreneurs.

In 1979 just as the firm was getting to consolidate its position, there was a rift between the two partners and the partnership had to be broken. The rift was decided by the local community Association and Jimoh agreed to take N.10,000 for his share of the firm. This was quite a problem for Adegbode who had no such money in his account. He consulted his bank manager for a loan but that was not granted. Luckily the community Association lent him half of the money but he still needed N.5000 from some source. He travelled to Benin to find some help from relations and after quite some running about he was able to solve this problem.

Another problem confronted him now as he had to move from Jimoh's workshop. In any case, that move has been under consideration before the rift due to an increased need for space and utility facilities. Due to heavy deposit requirement by land-lords he could manage to find only a smaller place. Production declined fast as the firm settled. Some employees also left. Adegbode at one time seriously contemplated closing down. He however decided to continue especially with some financial assistance from a friend. In addition the retail shopping outlet offered to buy more of Adegbode's manufacture.

The financial problems of Adegbode however remained as he had not enough working capital. He was also advised by a friend to approach

the S.S.I.C. for more financing. He tried that but got no assistance. Meeting the contract with the retail store increasingly became a problem. He is also confronted with ageing machines. He had not taken into consideration the depreciation of his machines and hence nothing much was retained for their servicing and replacement. Also he is finding an increasingly nonchalant attitude towards the firm on the part of the employees. Mr. Adegbode, as at the time of the interview appeared settling for getting out of business even though he has contacted the I.D.C. for assistance. The firm is currently being studied by the I.D.C. for assistance on how this situation can be reversed to revive the prospects of the business.

Case 2. ALI BABA SHOES

Age of entrepreneur at start of business: 29

Educational background: Teachers Grade II Certificate (12 years formal education)

Experience: Trained factory supervisor and Design machinist

Motivation: Personal growth, excitement, and control of destiny.

Baba is a talented young man of thirty two. He attended a primary school and later went to teachers college as a boy. After college he went to work with a carpenter as an apprentice. In 1972 he thought it was not exciting any more and decided to leave for Kano, where he believed more exciting opportunities abounded. He was proved right when he got a job with the Nigerian Leather Works in 1973 where he received training as a design machinist and worked after the training period as a design assistant. Although the job was quite exciting, he became anxious for promotion. This never came. In 1977 he was offered a job as a factory supervisor with Neital Shoe Factory, a new joint venture enterprise between Borno State Government and an Italian concern. He worked there as a production and design supervisor. Bureaucracy and the shortages of essential raw materials for production however soon engulfed the firm and production became erratic. Although Baba's position was secure he felt uneasy idling about for most of the time when production stopped. By 1979 Baba was convinced that his experience and talent would better be put to another use. He thought it was much better if he could go into making money for himself rather than

being redundant for most of the time as a factory supervisor. In 1980 he gave up his job to start his own shoe making company.

Finding information on machinery and equipment at this stage was no problem to him. He used the few contacts he was familiar with, and especially those firms his former employers had contact with to gather information about machines required and sources of raw materials. One firm which was useful in helping him was Singer, a major supplier of machinery and equipment in that area. He bought three machines, one for stitching, one for scraping and smoothing, and the other for cutting. He employed two apprentice machinists to start. Baba also got technical ideas on leather choice and source selection from the Leather Research Institute in Maiduguri. He had gone to the Institute, of which the Director was known to him, for some information on material handling. The Institute also offered to sell some materials, especially tanned leather, as and when it became available to him to help ease his problems in finding adequate materials for production. A friend offered an unused car garage for a temporary factory. He required about N.5000 working capital to start operations. That was his first problem. He only managed to start on a shoe-string by going into production of sandals which are cheaper to produce.

At start-up Baba had no market problem as a local shoe merchant offered to buy wholesale his products. In addition, he introduced a shoe repair service. In the first few months he made quite a success and produced on the average about 40 pairs of shoes, costing about N.20 each on the average in a week, mostly sandals.

He could have attained much higher production but for the several problems he failed to solve. First he was not able to solve his financing problem. Then he lacked some useful equipment for finishing

(stretching and shaping the leather, and fixing of the soles) the shoe and hence this is done manually. The quality of his shoes has therefore, not been very good. Thirdly, production became erratic due to a lack of raw materials supply for which he depended upon the Leather Research Institute. Sometimes he has to stop for weeks waiting for leather to be tanned and supplied. He also had problem with one of his machines. He contacted the supplying firm to fix it but the firm asked for a substantial sum of money for the repairs. Apparently there was no guarantee on the equipment when it was sold to Baba. This affected his production adversely, and a lot of things that could have been done mechanically had to be done manually. Hence the business was not able to grow as he had wished.

The operations of the firm was otherwise smooth, with Baba as the sole Managing Director in charge of management, marketing, finance and production. There was no established personnel rules or regulations and relationship was cordial between him and his employees. Ideas on any aspect of improving the business came from all of them, and Baba had been keen to welcome them from customers and well-wishers alike.

As with many small firm owners, Baba had several management problems. For example, even though he has such experience in production and the working experience in position of responsibility, he failed to realise the importance of accounting and record keeping. Earlier, when he started operating he kept some record of purchases and sales but after some months he thought it made no difference or much sense to him and abandoned it. His other problem is lack of time; his typical day being spent all day, six days a week in the factory. As he performs all designing and cutting himself, main production automatically stops if he is away. This stopped him from attending many conferences, workshops and

training sessions organised for small firm owners in the state even though he was aware of them. A third problem is his increasing dependence on the Leather Research Institute for his materials as he has little knowledge of other sources as reliable. In any case he lacked the time to pursue those sources. A fourth problem is the lack of funds to expand his business or acquire important equipment to increase production or improve on quality. These problems have currently engulfed the firm and appear to be threatening its existence.

To get round some of the problems of getting started, and running his firm successfully, initially Baba contacted the Ministry of Trade and Industry but received little help even though he visited them several times. During one of his visits to the Leather Research Institute, he was advised by the Director to contact the I.D.C. for technical assistance. This he did and the I.D.C. Maiduguri offered to assist him at once. However, at that time the Centre did not have an expert in the area of leather technology, hence not much technical assistance was available. Nevertheless, vital suggestions were put forward to him for improving his business. In addition a proper financial plan was arranged to be prepared for him so that a request for finance could be supported and put forward to the N.B.C.I. The I.D.C. also offered to publicise and promote Baba's products at one of the on-coming trade shows. In 1983 the I.D.C. helped secure a supply contract for Baba to design and make conference folders for the Academic Staff Union, University of Maiduguri. This boosted the financial standing of Baba's enterprise and was able to buy one of the equipment he needed. Later in the year, the financial plan was completed by the I.D.C. and put forward to the N.B.C.I. for a loan to enable Baba obtain the other necessary equipment and the needed working capital to expand his

business. Initially, the response from the Bank was welcoming, but problems developed, and the loan was not granted. As at April 1985, the time of the interview, the application was still waiting approval. Baba nevertheless is carrying on his business with much optimism that it will survive and grow.

Case 3. ALIKO BATTERY, MAIDUGURI

Age: 33

Education: Quranic School

Experience: Trained automobile mechanic

Motivation: personal growth and freedom

Aliko was born in 1954 to a large family. His father was a petty trader on the proceeds of which he kept his family going. Aliko did not have any formal western education but went to an Islamic school when he was young. Aliko and his brother were there for several years but they became continuously disgruntled with the condition there. They found the head teacher prejudiced against them. For example Aliko and his brother got all the blame for any wrong doing among the pupils. They also did all the sweeping, fetching water from the wells, and other domestic work for the teachers but never appeared to satisfy them. Aliko believed this was due to the fact that he and his brother were from a poor family whereas most of the other pupils were from well-to-do families. By the time Aliko was 13 and his brother 15 they decided to leave school.

Aliko and his brother became apprentices for a motorcycle mechanic where for three years they learned the trade. Aliko's brother left to join another mechanical workshop after the training but Aliko remained and in the sixth year he obtained a Trade Test Certificate grade III from the Ministry of Labour which qualified him to be employed as an automobile mechanic. He later got a job with a multinationally affiliated automobile sales and servicing firm where he worked as an automobile mechanic. During his stay with the company he was exposed to

training in the electrical division especially in maintenance and charging of batteries. It was the policy of the firm to expose all mechanics to all areas of the trade to broaden their knowledge to enable them cover for absentees and staff shortages.

In 1973 Aliko was introduced to a major battery dealer who is also a servicing outlet for the firm and a close working relationship developed between the two. Aliko assisted the dealer's men in servicing and maintaining batteries for their customers mostly during his off times, often free. He soon gained respect from the dealer, his employees and his customers alike. In appreciation of Aliko's good gesture and in recognition of his expertise Aliko was invited to join the business as a partner-cum-supervisor which he readily accepted. By 1975 the dealer decided that he was giving up the servicing and battery charging business to concentrate on a general contracting business. He offered Aliko the workshop facilities for sale but on condition that the workshop remained a major servicing agent for the multinational firm to which he is a dealer. Aliko agreed to take up the business on his own account.

In 1978 he had to move to a new premises which comprised two incomplete buildings which provided the workshop and a large enclosure and an improvised workshop for auto-mechanical repairs. By 1979 Aliko's business had grown substantially in reputation and assets. It had total assets, comprising battery charging equipment, of about N.6000. In addition, Aliko has added an automobile repairs service division. About 15 employees and apprentices worked, the number fluctuating over the period. The turnover has also fluctuated on daily basis and ranged from about N.150 to N.500 or more.

Aliko had visions of expanding his business, and especially of getting a more permanent workshop. He also considered buying an electric generating set. These he could not achieve as he had no money. Aliko was also constrained in pursuing this ambition vigorously by the dealer from whom he bought the business. A kind of informal relationship continued to exist between the two men, the dealer mainly being of paternal help to the young man on running his business. He had also remained the main source of supply of batteries from manufacturers and importers to Aliko. Hence Aliko continued to regard him as a boss even though there was apparently no real control or other subordinate/superior relationship existing. The dealer had opposed such ambitious growth due to what Aliko calls "his fears of what enemies I might create for myself". Aliko had remained "faithful" to this man due for his respect for him and also for his reliance on him to provide a main block of batteries at controlled price on which sale and servicing the business makes quite a profit. Hence he had to restrain himself from pursuing his vision vigorously and thus remained mainly unrealised for a while.

As time passed Aliko found that he needed not to be naive in doing business and decided to put aside the influence of his "boss". In 1982, he secretly bought a piece of land and developed it at a cost of N.12,000. In addition he acquired an electric generator worth N.4,300 and few other equipment. However, he never attempted to move to his new premises in fear of what might happen to his relation with his boss. The opportunity came in March, 1983 when he was asked to leave the present premises by his landlord. This offered him a good opportunity to move. At the same time another opportunity arose as the growing scarcity of spare parts in the country made it impossible for people to buy them

from manufacturing firms or main retailing outlets but through the dealers and agents. Aliko's business became a useful source where batteries could be obtained at controlled prices. Due to this connection, he made gains rapidly and his customers also increased greatly.

Since then the business has increased especially in turnover and fame. However, there are growing problems in the firm. One is the lack of track record on financial transactions. It has become increasingly difficult for Aliko to keep track of his sales and revenues from services. Payments to the firm are never recorded. Charges are not uniform or having any standard on which they are based. Every person in the organisation seem to offer service charges on his own and collected such charges without receipts of any kind to document how much was collected. Hence by the end of the day very little of what was actually collected came into his pocket. Similarly, there was no system of accounting for supplies and utilities, or depreciation of equipment. The indication of profit and loss over the period is just a matter of how much extras were realised over the sale of batteries or on services. At the same time no fixed system of compensation exist for the employees.

A second problem is that of high turnover of employees. They seem to be deriving the benefit of lack of record keeping in financial transactions and moving away as soon as they make a little money. This has left Aliko in a situation of training new apprentices throughout the period leaving him little time to improve his services.

Throughout his business career, he has wanted to institute some form of organisation but he did not know how to go about it. Of late he had wanted to employ a cashier but he could not find any, due mainly to the fact that he did not know where to find a suitable one. He employed

a young college leaver for the job on the recommendation of his friend. Unfortunately the boy stole a substantial sum just after few weeks and run away. This killed all the enthusiasm in him for instituting proper accounting and book-keeping in his business. Aliko had never thought of training himself in modern management techniques. The only time he had a contact with a management consultant was when a staff of one of the agencies in Maiduguri paid him a visit in a gesture to finding ways of assisting him, but he reposed no confidence in the official as he did not see the need to do so in a stranger. That was the last time he saw of any agency staff. As the business is growing substantially, Aliko is much worried about this lack of organisation and accounting and he has desperately wanted training or some kind of assistance but he failed to find the time to go about it seriously. He is absolutely unaware of any of the agencies. Meanwhile, Aliko has decided to buy a car for his personal use and is undertaking a building for his family. That as far as he is concerned was the only avenue he can use his accumulated wealth and there does not seem to be any other thing to do.

Case no.4 SCHOOL CHALK LTD.

Age of entrepreneur: 46

Education: None

Experience: General trade, and Contracting

Motivation: Expand income source

School Chalk Ltd was started in 1981. The firm basically produces school chalk in various colours and it is part of an investment by an entrepreneur with wide ranging experience in general contracting and supply business. The idea of starting the firm came to him actually in his supply contracting activity. Early in 1978 there was an acute shortage of chalk and classroom materials when the government banned the importation of such materials, among others, to encourage domestic production. It was believed then that there was adequate capacity in the domestic industries to meet all the required needs in the banned items which included chalk, salt, ready-to-wear garments, etc. That same year at the exhibitions during the Kaduna Trade Fair which is an international annual event, there were exhibitions of machinery and equipment for various small scale industries. The entrepreneur was excited by the idea of starting a small school chalk manufacturing business and decided to seek advice from associates and contacts in the various organisations he has had business contacts with and more especially from the Ministry of Trade and Industry. He received encouraging advice that the idea was plausible.

Using his various contacts still, he managed to convince the Small Scale Industries Credit Scheme to finance the project. However, it occurred to the entrepreneur that there might be a problem of inadequate

market and for a while he was hesitant to proceed with the project. He considered the problems of lack of growth in the firm due to a lack of a diversified market. He never sought to seek advice on these issues. These issues were dropped from his thoughts when a loan was approved for the project. In addition, he got an assurance from the state government (Ministry of Education) to buy all its chalk requirement henceforth from him. The project came into being late in 1981 with a capacity capable of meeting the chalk demand in the State. The total investment cost of the project was put at N.48,900.

Production went on smoothly to end of 1982 and sales were also encouraging. Towards the end of 1982 however, the entrepreneur decided to start a bakery, having seen the advantages of manufacturing. He borrowed N.16,000 from the School Chalk account and added it to another loan of N.65,000 from one of the development banks to buy a small electric oven, a mixer/blender and a dough brake (all second hand) and located the bakery in one of his houses outside Kano Metropolis. The bakery however, soon became a thorn in the entrepreneurs flesh. First he had working capital problems. Then there was heavy losses in material and at the same time the bread was not selling very well. Its quality seemed to be far below what was obtainable from nearby bakeries. Third, it required the whole attention of the entrepreneur and he soon found himself completely neglecting School Chalk.

Problems also started to occur at School Chalk. There was a lifting of the ban on the importation of chalk and soon there was too much chalk in the market, some cheaper and while others are better in quality. Second, the state government withdrew its commitment to buy substantial quantity of School Chalk products. As a desperate measure production was cut down and requests were put to the State Ministry of

Trade and Industry to support a promotion campaign in other states of the federation of School Chalk products but this received only luke warm reaction from the Ministry. At the same time, about the middle of 1983, new restrictions on importation of raw materials came in, and School Chalk could not get the needed import licence for the basic materials. There was a substantial quantity of finished chalk in stock; working capital has run down and there appeared no hope for the future.

School Chalk decided to put up a struggle with the Ministry over their commitment and threatened to default on the loan repayment or in the alternative the ministry should receive as payment, consignments of chalk now lying about in the warehouse. Meanwhile further production has been stopped and the entrepreneur is planning to return to his bakery and contracting business. Until he solves the market problem of School Chalk, the business remains closed.

Case 5. NEVER-TO-BE LAUNDRY AND DRY CLEANING SERVICES

Age of entrepreneur: 36

Education: Teachers Grade II certificate, Diploma in Business

Studies and Insurance

Experience: Trade

Motivation: Independence

Sherif, a successful businessman in general commerce and trade thought of diversifying his business realm by starting a laundry and dry cleaning services business. Formerly his main business activity included a distributorship for foam mattresses and cushions for a leading manufacturer, distribution and general supply contracting particularly of office and school stationery as well as an agent for an insurance company. The lack of prospects for suitable expansion in these areas and uncertainties pertaining to the businesses made him seek an alternative investment. For example in 1975, a new manufacturer came into the market with better quality foam mattresses and nearly took over the market from his clients. At the same time supply contracting was proving to be too troublesome especially if the contracts was with the state government, who is the major market for Sherif's service. It took a long time before supplies were paid for and a lot of expenses might have to be incurred before the payment vouchers are released by the Sub-Treasury. Sherif hence thought of a way out through establishing a more dynamic business the prospect of which he could control by himself.

Before he could make a final decision however, he became disillusioned with his lack of progress and considered other possible

ways of improving himself. He decided to go for further education to enable him time to reconsider his ambitions and how to go about reaching them. He applied to Ahmadu Bello University, (Institute of Administration) to read for a diploma in insurance marketing and a certificate in middle management. He was accepted for the programme and he decided to accept it. He left his business in the hands of his brother who had been his assistant ever before. During his stay in the university he attended several seminars and workshops the institute organised in various fields of management. He also used this opportunity to talk to some lecturers who are in the Research and Consultancy Department of the institute. His idea of a laundry and dry-cleaning business was supported as very promising by the consultants and they backed their claim with some industrial survey which they had carried out in the State. Sherif was introduced to the I.D.C. for the necessary assistance to enable him to realise his new business. In September 1977, the I.D.C. Zaria produced a Pre-investment Proposal for Sherif (copy attached). The I.D.C. advised him to seek financial support from the Ministry of Industries in Borno State. They provided him with all the financial planning necessary for obtaining credence from the Ministry.

On his arrival back in Maiduguri after completing his course late in 1977, he approached the Ministry to discuss the possibility of financing the project. As the project has been studied and recommended by the I.D.C., the idea was welcomed by the Ministry and he was asked to put in his application formally. He did that immediately for a loan of N.71,480 which include about 60 percent of the total cost of machinery and equipment and working capital for the project. Approval was given late in 1977 with a condition that no cash disbursement will be made to him but payments are to be made direct to manufacturers or suppliers of

the required equipment. It was also made a condition that he provide at least 25 percent of the cost of the project and that he should have a premises at least 75 percent complete, the cost of which might be considered for a separate loan. These are standard conditions for granting loans to investment by the S.I.C.S.

These terms were accepted by Sherif as luckily he had some money to meet them. In addition, he decided that the warehouse he used for keeping stocks of the foam products should be his premises and set about to make developments on the site, with some assistance in the space designs and utilities from an extension staff of the Ministry of Trade and Industry. The Small-scale Industries Division undertook to contact sources from where the machinery and equipment could be found. Some that were found readily were paid for and supplied to Sherif's site. By this time the project cost about N.26,000 from the S.I.C.S. and N.30,000 from Sherif.

Unfortunately, not all the machinery could be found and hence the business could not start operating. It became difficult for Sherif to get suppliers to agree to supply him with the equipment due to difficulties in making the S.I.C.S. agree to the terms of the suppliers. Eventually after contacting various sources including the Chamber of Commerce and a visit to the Kaduna and Lagos International Trade Fairs, suppliers for the lacking machines were found and a price agreed upon for delivery. However, the price was much higher than what was originally allocated for this piece of machinery. As Sherif had very little money left he could not make up this difference. He did not see it as likely that he would get any assistance from any of the financial institutions and hence made no attempt to approach them. In addition, the Small Industries Division could not provide the difference. But he

was promised that the new financing need might be passed on to the Loan Management Committee meeting for consideration and possible approval. Meanwhile, the business remains very much equipment in crates lying about in the wharehouse. Sherif has already been forced to start liquidating the loan, unfortunately from his other sources than from the success of the laundry service business.

INDUSTRIAL DEVELOPMENT CENTRE,
FEDERAL MINISTRY OF INDUSTRIES,
PRIVATE MAIL BAG 1035,
SAKARU - ZARIA.

PRE-INVESTMENT PROPOSAL
FOR
MALLAM , LAUNDRY AND
DRY CLEANING: PROJECT
MAIDUGURI,
BORNO STATE.

SEPTEMBER, 1977.

• LG/AO/IO/MIA •

PREPARED BY:-
L.G. SALAMI,
A.O. ADETAYO,
I.O. ASIMOLONO.
I.D.C. ZARIA.

LAUNDRY AND DRY CLEANING PROJECT

MAIDUGURI

BORNU STATE.

SUMMARY AND RECOMMENDATIONS: The Industrial Development Centre, (I.D.C.) Zaria, believed that this project would be technically feasible and commercially viable if carried out as outlined in this Pre-Investment Proposal.

The analysis shows a gross profit of ₦27,895.00 per annum which represents about 22% return on total capital investment calculated to be ₦126,923.00 and 25% return on total annual sales income of ₦113,100. I.D.C. recommends that the loan Management Committee consider approving a loan of ₦71,480.00 towards the establishment of the Laundry and Dry Cleaning Project while the entrepreneur contributes the balance of ₦55,443.00 in cash and kind which will account for about 44% of the total investment.

RATIONALE

INTRODUCTION: This proposal is in response to the request of the Small Industries Credit Scheme section of the Ministry of Trade Industry and Co-operatives, Borno State to I.D.C. to look into the technical and commercial feasibility of the proposed Laundry and Dry Cleaning Project in Maiduguri.

MARKET POTENTIAL STRATEGY: The proposed project, when established, would be the first modern and commercial Laundry and Dry Cleaning project at Maiduguri. At the time of our investigation, laundry services were provided mainly by Local washermen in the City. Maiduguri, apart from being a growing commercial and industrial city, is the administrative headquarters of Borno State. Besides the State Secretariat is the city, Maiduguri has a number of Federal Government Establishments such as the Central Bank, the Chad Basin Development Authority, the general Post Office and the Federal Government Secretariat under construction. Maiduguri is a University town with a number of other higher institutions such as the College of Arts and Science, School of Basic Studies, Federal Government College and others. Also, there are two big international hotels, Lake Chad Hotel and Mai Deribe hotel. In the light of the above we envisage that a minimum of about three thousand (3,000) people representing the intermediate and senior cadres in the above establishments as well as private businessmen will constitute the potential market size for laundry services in the short-run. On the basis of this estimation, it is our anticipation that the Proposed project should be able to have about 50% share of the market "ab initio" with rational planning of its marketing strategy.

The marketing strategy for the proposed project should lay emphasis on the following key aspects:-

- (a) Easy access to services - i.e. the project should have several collection centres strategically located in the city. Alternatively, the project may have one collection centre and a number of sales collectors who go daily to collect laundry materials from institutional and corporate clients.
- (b) Quick Services - i.e. customers should be able to receive their laundered materials in record time.
- (c) Advertisement:- A limited level of advertisement would be necessary initially to inform the people about the availability of the service. This can be done through distribution of handbills and display of conspicuous signboards and posters at the collecting centre.

TECHNICAL AND MANAGERIAL COMPETENCE:

The entrepreneur, aged 28 years, is literate and fairly educated. He has the Federal Labour Trade Test Grade II Certificate in Electrical Installation work in 1970. He obtained a diploma in Insurance Marketing in 1975 and a Certificate in middle level management in 1976 from the Ahmadu Bello University. The entrepreneur is at present, a businessman and agent to some commercial and industrial concerns. The entrepreneur has indicated his intention to engage in the proposed project on a full time basis. It is our considered opinion that, considering his level of education and business background, he would be able to manage the business successfully.

There would be no problem envisaged in recruiting experienced laundry operators and dry cleaners from well established laundry and dry cleaning projects in other parts of the country to man the proposed project. Besides, the suppliers of the laundry and dry cleaning equipment have also undertaken to train some of the staff to be recruited for the project.

UTILIZATION OF FUNDS:-

It is suggested that the loan funds if approved and the owner's contribution be utilized as follows:-

<u>Loan Funds:</u>		<u>Owner's Contribution</u>	
Machinery & Equipment	N58,034.00	Land, Right of Occup.	N 150.00
Delivery Vehicle	5,000.00	Building (Collection Centre & main Factory)	45,000.00
Preliminary Cost & Conti.	3,152.00	Office & Store Furniture & Fixtures	5,000.00
W/Capital (1 month)	5,294.00	Working Capital (1 month)	5,293.00
Total	<u>N71,480.00</u>	Total	<u>N55,443.00</u>

Any deviation from the above should be with the prior approval of the S.S.I.C. Secretary and I.D.C.

IMPLEMENTATION ASSISTANCE: I.D.C. would be prepared to provide all the necessary technical and management assistance towards the establishment of the project.

FINANCIAL ANALYSIS

Capital Investment

(a) Land (Right of Occupancy)	= 150.00
(b) Building: (Schedule A)	45,000.00
(c) Machinery and Tools (Schedule B)	50,034.00
(d) Office & Store Furniture & Fixtures (Schedule C)	5,000.00
(e) Other Fixed Investment: Such as Veh. Ford transit or VW Combi Bus	= 5,000.00
Total Fixed Investment	= 113,184.00
(f) Preliminary Costs (Various fees, contingencies, 5% of Fixed Investment)	= 3,152.00
(g) Working Capital for 2 month i.e. $\frac{1}{6}$ of II (a) and (b) below	10,507.00
Total Investment	<u>= 126,843.00</u>

Annual Operating Costs

(a) Production Costs (Variable)	
1. Raw Materials and Supplies (Schedule D) 20% of annual sales income	= 22,620.00
2. Power, Water, Fuel etc.	= 5,280.00
3. Equipment Maintenance and Spare Parts (2% of machine investment)	1,261.00
4. Production labour (Schedule E)	22,200.00
Total Production Costs	<u>= 51,361.00</u>
(b) General and Administrative Costs (Overhead)	
1. Office Staff (Schedule F)	= 10,152.00
2. Selling Costs 1% of sales income	1,131.00
3. Miscellaneous Office Supplies	200.00
4. Insurance (60k per N100 of Fixed Investment)	600.00
Total General and Administrative Costs	<u>= 12,163.00</u>
(c) Other Overheads Costs	
1. Depreciation on Building (10 years)	= 4,500.00
2. Machinery and Tools (5 years)	11,607.00
3. Office & Store Furniture & Fixtures (5 years)	1,000.00
4. Interest on Investment Loan (5% of loan)	3,574.00
5. Other Overhead costs-list	1,000.00
Total Other Overhead Costs	<u>= 21,681.00</u>

II. Summary of Annual Operating Costs

(a) Production costs (Variable)	= 51,361.00
(b) General and Administrative Costs (Overhead)	12,163.00
(c) Other Overhead Costs (Overhead)	21,681.00
Total Operating Costs	<u>= 85,205.00</u>

<u>Annual Gross Profit Before Income Taxes</u>	
(a) Annual Income (Schedule G)	₹113,100.00
(b) Less: Operating Costs	85,205.00
Gross Profit	<u>₹ 27,895.00</u>
	=====

Percentage Return:

- (a) On Investments = 22%
- (b) On Sales Income = 25%

V. Safety Margins

- (a) Break-even-point: This is an indicator, or extent, or production level of no-profit-no-loss. This is to say that the establishment must strive to produce and sell at the break-even point level in order not to incur any losses or to cover all overhead expenses. Over and above this level the establishment will start to earn profit. This level is:- ₹5,167.00.
- (b) Cash/Expenditure ratio: This is the amount of income earned monthly in order to cover all current expenses including repayment of loan principal based on 20% repayment per annum i.e. total liquidation in 5 years. This is:- ₹6,485.00.

.5.

- (c) Cash/Credit ratio: This is the level of monthly income receivable (outstanding debt) that the establishment can afford as it is the proportion of income that will not be required for immediate expenditure. This is:- N1,592.00.
- (d) Equity/loan ratio: In this PIP, the financial analysis has been projected on owners and loan contributions at the ratio 3 : 2. It is however recommended that this ratio reads 1 : 5 (i.e. after 72% of the loan has been liquidated) before the establishment embarks on further expansion.

SCHEDULE A

Building Construction

<u>Type and Size of Building:</u>	(a) Collection Centre
<u>Estimated Material and Labour:</u>	(40'x45' story block)
Material:	(b) Main factory building
	(on 100'x100' plot)
Total Estimated Construction Costs	N45,000.00

SCHEDULE B

Machinery and Tools

	Value
This part was defaced by the Respondent for no disclosed Reasons.	N 6,855.00
	9,886.00
	5,200.00
	2,250.00
	2,475.00
	3,340.00
	5,210.00
	5,670.00
	1,650.00
	300.00
	650.00
	3,065.00
Sub-Total	N46,551.00
Custom cleaning & Transportation to Site (Maiduguri).	4,500.00
Installation, Commissioning & Training of Staff Excluding all pipe work, Water installation & electric wiring of factory house.	6,983.00
Total Machinery and Tools Investment	N58,034.00

SCHEDULE C

Office and Store Furniture & Fixtures

Description	Supplier	Quantity	Each	Total
<u>Proposed New Furniture & Fixtures:</u>				
Estimated costs of proposed furniture & fixtures for collection Centre & main factory.				
Total Furniture & Fixtures Investment				N 5,000.00

SCHEDULE D

Raw Materials - Annual Basis

Description	Source	Quantity	Value
Estimated cost of raw materials on the basis of 20% annual sales income.			
Total Raw Materials Costs			<u><u>₦22,620.00</u></u>

SCHEDULE E

Production Labour

Position	Number Required	Rate of pay per month	Annual Cost
Laundry Supervisor	1	₦140.00	₦ 1,680.00
Laundry men	4	100.00	4,800.00
Dry Cleaners	4	100.00	4,800.00
Pressers	6	100.00	7,200.00
Electrician	1	100.00	1,200.00
Unskilled workers	2	60.00	1,440.00
Security Guard	1	45.00	1,080.00
Total	19	Production Labour Cost	<u><u>₦22,200.00</u></u>

SCHEDULE F

Office Staff

Position	Number Required	Rate of pay per month	Annual Cost
Owner/Manager	1	₦240.00	₦ 2,880.00
Sales Clerk	2	96.00	2,304.00
Accts Clerks	1	120.00	1,440.00
Collectors	3	70.00	2,520.00
Driver	1	84.00	1,008.00
Total	8	Office Staff Cost	<u><u>₦10,152.00</u></u>

SCHEDULE G

Sales/Income - Annual

Type	Number and Unit Value	Value
estimate of income on the basis of laundry services for 3,000 potential clients. Therefore the total market size for laundry services, in value terms at 226,000 per annum.		
% market share by the project would give an annual sales income of	Total Annual Sales / Income	<u><u>₦113,100.00</u></u>

Neat & Tidy Enterprises

REGISTERED COMPANY NO. 14913J

PHONE: 45338

Cable: NEATIDY Lagos

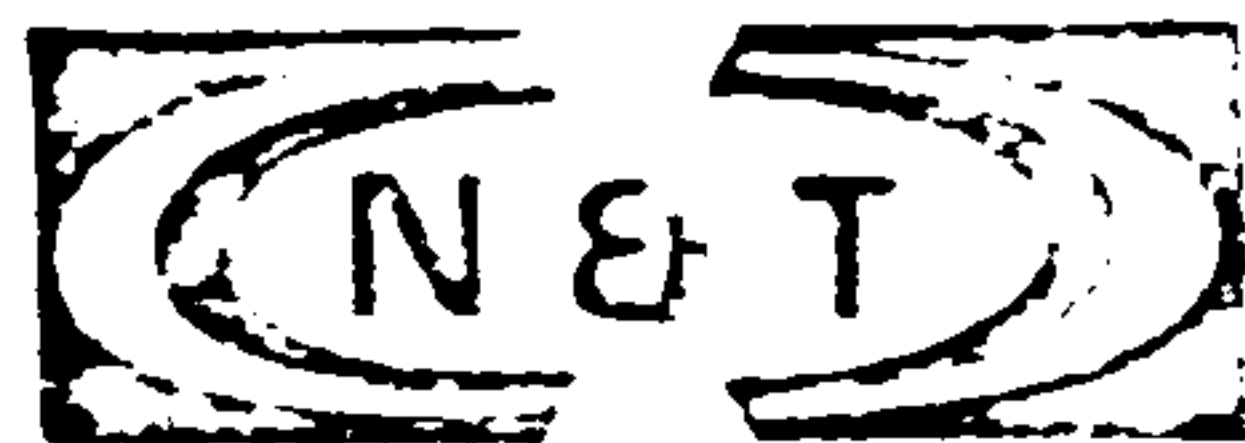
Our Ref:

Your Ref:

Manufacturers' Representatives

General Agents

Importers & Exporters



P. M. L. 3391,

INTERNETWORKED,

SURU - LERE

LAGOS, NIGERIA

24th May 1978.

Dear Sir,

YOUR LPO 132878 of 27/1/78
for LAUNDRY EQUIPMENTS:

We thank you for the above LPO which you sent to us through the Industrial Development Centre in Maria.

We have written back to the IDC demanding the necessary deposit before we can process the order.

This is the normal practise for the order of Equipments of this nature as the Machines are Industrial Machines which are made to specific order.

We attach herewith copy of recent similar Contract Awards also from Federal Government Institutions to back-up our request.

We have sent a revised quotation to the IDC and we have suggested alternative air and sea freights.

It is hoped that you would send us the necessary deposit either direct or through the IDC in Maria.

We assure you of a satisfactory service.

Yours faithfully,
for: NEAT & TIDY ENTERPRISES,

M. A. OGBINDAYO,
MANAGING DIRECTOR.

ENC.

LAUNDRY AND DRY CLEANING EQUIP. SUPPLIERS

P. O. Box 263,
Maiduguri,
Borno State.

30th July, 1984.

The Permanent Secretary,
Ministry of Trade & Industry,
Maiduguri,
Borno State.

Sir,

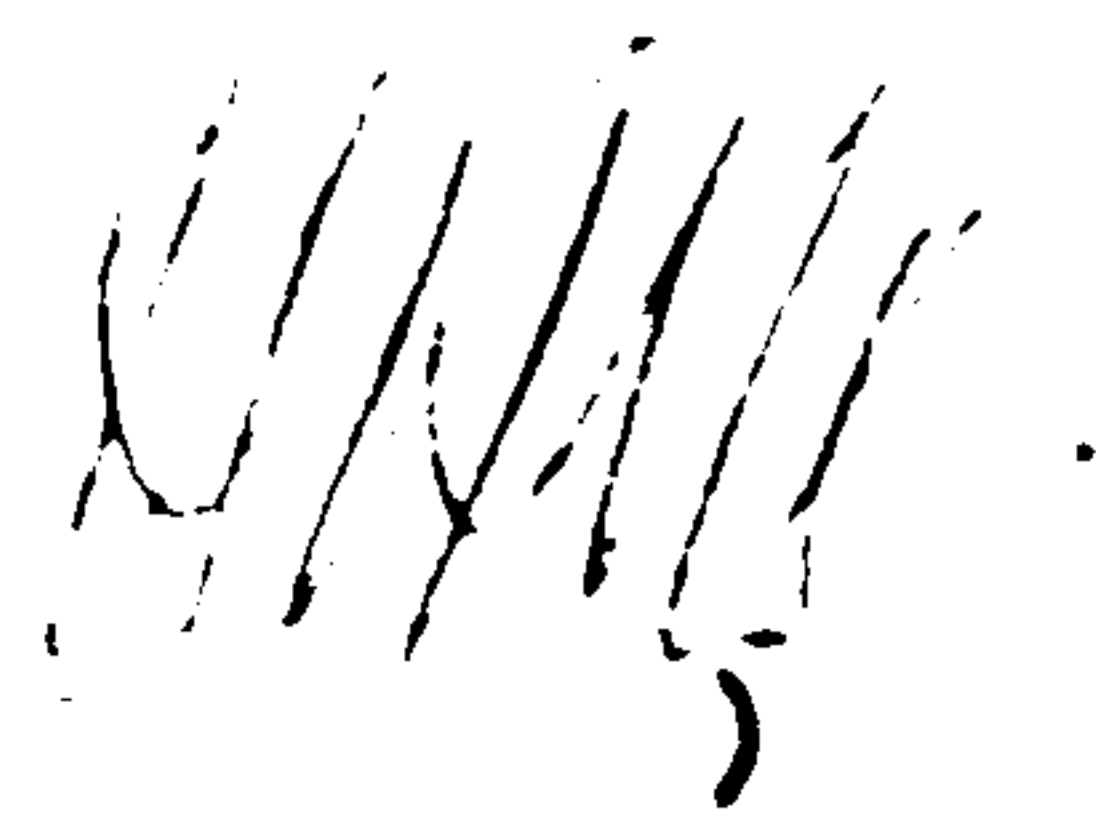
RE: LAUNDRY AND DRY CLEANING PROJECT:

I am writing with reference to the above-mentioned project for which the Management Committee of the Small Industries Credit Scheme Fund approved a line of credit of up to N70,000.00 in 1977. Since then, I have been granted the sum of about N26,000.00 which was invested in the project. The members of the Loan Management Sub-Committee visited the project on the 5th Nov., 1982 and their report is enough to indicate the efforts I have made in establishing the project. The project could not function properly because of lack of finance. I am writing this letter appealing to you for more fund so as to put the project in proper working shape.

Records would reveal in your office of the amount granted and how I have been liquidating the loan despite the fact that the Laundry has not taken off properly to generate revenue on its own. It would therefore, be appreciated if you can grant the request.

Looking forward to read further from you.

Yours Sincerely,



()

APPENDIX C A LETTER OF INTRODUCTION



UNIVERSITY OF MAIDUGURI, NIGERIA

Faculty of Social & Management Studies

P. M. B. 1069, Maiduguri - Nigeria

Telephone 232537:232968

Cables University Maiduguri

DEPARTMENT OF BUSINESS STUDIES

Ref. UM/DBM/SP. 1196/Vol. 1

Date 3rd Sept., 1985

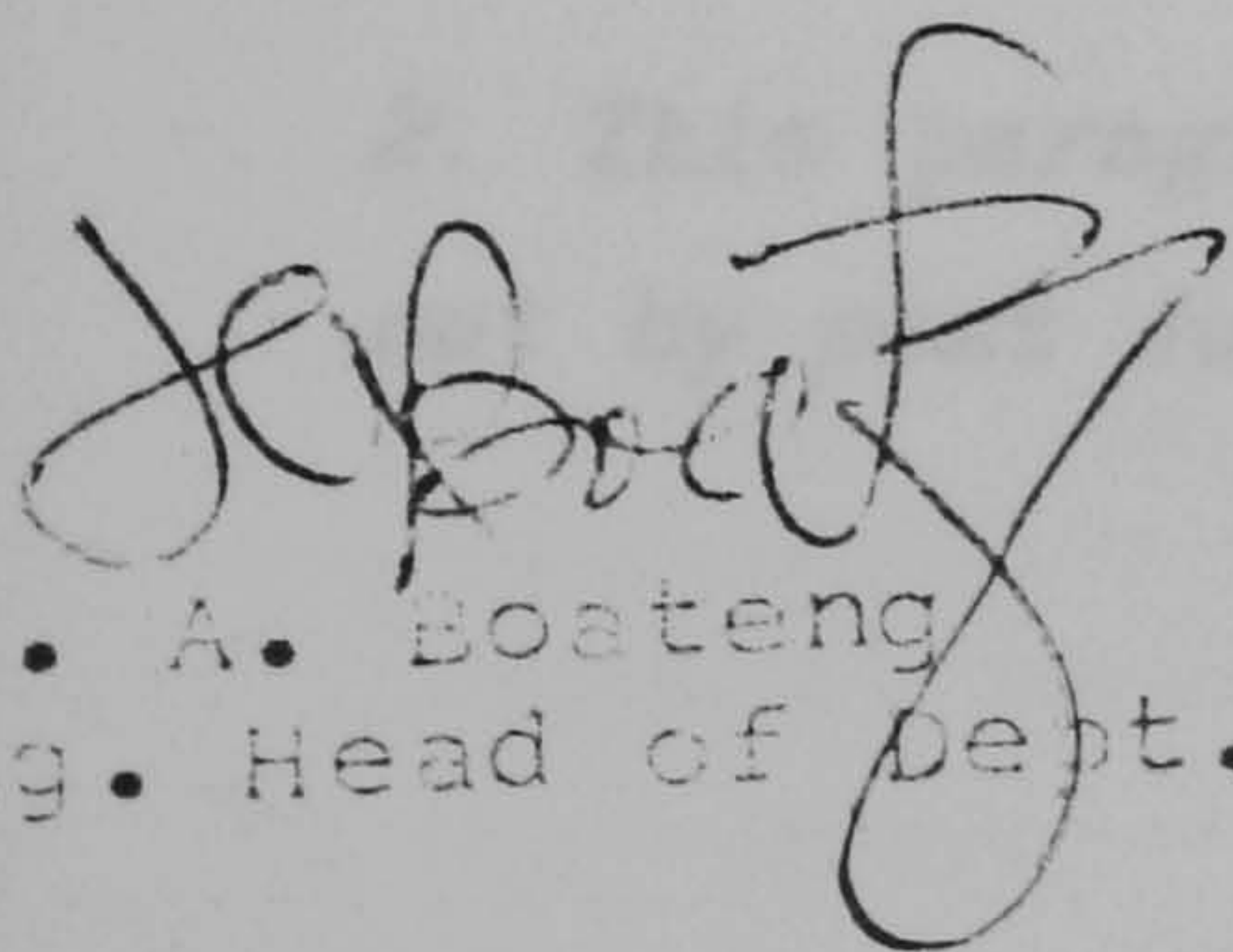
TO WHOM IT MAY CONCERN

RE: LETTER OF INTRODUCTION
MAL. HETTINA ALHAJI ALI

The person named above is a Lecturer in the Department of Business Management, University of Maiduguri. He is currently on Study fellowship at the University of Warwick, United Kingdom, undergoing course of study leading to award of Doctor of Philosophy (Ph.D) degree. He requires certain vital information from your organisation to enable him complete his PhD thesis in partial fulfilment of the requirements of the degree award.

The Department of Business Management and the University of Maiduguri as a whole would be highly grateful to you if you would give him the necessary cooperation and assistance in gathering the necessary data from your organisation.

Thank you very much for the anticipated favourable response.


J. A. Boateng
Ag. Head of Dept.

APPENDIX D. SAMPLE RESEARCH QUESTIONNAIRES¹

INFORMATION AND SMALL FIRM DEVELOPMENT IN BORNO STATE

Dear Respondent,

Thank you very much for your cooperation and agreeing to contribute to this research. This research tries to establish the availability of assistance (information) to small-scale manufacturing firms in Borno State and identify the real gaps to the development and contribution of the sector to our economy. It tries to find the roles of the industry promotion agencies (like your organisation) in promoting enterprises in the sector. The research is a necessity because small firms seem not to be contributing as desired to industrial development, their perceived importance notwithstanding.

I shall be very grateful if you could please complete the questionnaire and return it to me through the address provided. My sincere appreciation for your tremendous effort.²

Thank you.

SHETTIMA A. ALI

P.O. BOX 267

MAIDUGURI

BORNO STATE

1. This questionnaire was used mainly to direct the interview. Some issues covered in the research may not be in the questionnaire. This was mainly due to the nature of discussion that had to be undertaken.

2. This paragraph applied only to questionnaires that had to be sent out by post due to reasons stated in the method of study section.

Identification Questions:

1. Name of organisation _____
2. Location (state, city etc.) _____
3. Rank of respondent: _____
4. Main responsibility of respondent in the organisation: _____

Functions of the Organisation

5. What are the major functions of your organisation?

- a. _____
- b. _____
- c. _____
- d. _____
- e. _____
- f. _____
- g. _____

(please use extra sheet if more)

6. Which of these functions do you undertake fully at present?

7. Which ones are not being undertaken fully and why?

8. What do you think should be done to make your organisation achieve all its functions fully? _____

Major small enterprise development projects undertaken

9. What major activities have you undertaken since your organisation was established towards small firm development in the country? (please use extra sheet if more) _____

10(a). In how many small firm start-ups were you directly involved? _____

(b). What type of assistance did you provide to these firms?
no. assisted type of assistance provided

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

11. How many already existing small firms did have contact with your organisation within the last five years? _____

no. of firms reason for contact

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

12(a). How many of the start-ups you assisted are still existing? _____

(b). How many have ceased to be operating _____

13. To what can you attribute their failure? _____

14. How do you monitor the performance of firms you have assisted? _____

15. Do you undertake any business information gathering activity with the aim of disseminating to small firms? Yes / No

(a) If yes, information on what do you normally gather? _____

(b) How do you gather such information? _____

(c). What sources do you normally use for obtaining such information?_____

16. What do you think is (are) the obstacle(s) to the growth of the typical small firm in the Borno State? _____

17(a). How many applications, requests, etc. written or verbal do you on the average receive in a year from small firms for assistance?_____

(b). How many are you normally able to attend to on the average? _____

18. What are the obstacles to meeting the requests of small firms entrepreneurs approaching you for assistance?_____

19. How long on the average does it take you to attend to a small firm entrepreneur needing your assistance?_____

20. What normally controls the time you take to attend to such requests for assistance?_____

Financing agencies only may answer this area

21. How much finance did your organisation make available to small firms in Borno state over the last five years?

<u>Year</u>	<u>Amount</u>	<u>no. of firms assisted</u>
1980		
1981		
1982		
1983		
1984		
1985		

22. How many of the firms assisted are mainly:

(a). new firm start-ups?_____

(b). further investment in an existing firm?_____

23. What types of lending facilities do you have for small firms?

24. How do you normally disburse your loans to successful small firms?_____

25. What are the minimum requirements small firms requiring your assistance to meet to qualify for your facility?_____

26. What is the success rate of the small firms you have assisted? _____

27. What does your institution do where a small firm could not meet your minimum requirements for assistance?_____

28. What facilities do you have for assisting potentially viable projects but lacking in accounting presentation necessary for your attention?_____

29. What problems does your institution usually face in assisting small firms in the state?_____

30. How do you think can this problem be eliminated or reduced substantially? _____

This area may be answered only by Trade /Other Voluntary Associations

31. When was your organisation set up? _____

32. How many members do you have? _____

33. Has this changed over the years? Yes / No.

If yes was the change a). upward or b). downward?

34. What do you think is responsible for the increase or decrease in the number of your members whichever the case may be? _____

35. What is/are the criteria for membership in your organisation? _____

(Please use extra sheet if more space is needed)

36. Do you charge any fees for membership? Yes / No. If yes, how much per annum/quarterly as the case may be? _____

37. What is/are the benefits of being a member of your organisation? _____

(please use extra sheet if more space needed)

38. What working relationship do you have if any, with other trade associations within and outside the country?

39. What role do you think your organisation can play in the development of the small scale industrial sector in the State?

(please use extra sheet if more space needed)

40. Do you have any specific programmes for the development of the small scale enterprises sector in the state? Yes/ No
If yes please describe _____

41. What are the major problems of running a trade association like yours in the state? _____

42. What do you think of the attitude of the average small businessman to joining a trade association in the state? _____

43. What are the problems that you encounter in making small business entrepreneurs to joining your association? _____

44. What do you think is /are contributing factors to the problems you encounter, if any, as in question 33? _____

Operations and organisation

45. What method(s) do you use in extending your services to the small firms? _____

46. What promotional activities do you undertake to make your services known to existing and potential small firms? _____

47(a). Do you have separate departments for providing different types of assistance that may be needed by existing and potential small firms? Yes / No

(b). If yes briefly describe the organisation please:

<u>Department</u>	<u>Responsibilities</u>
-------------------	-------------------------

_____	_____
_____	_____
_____	_____
_____	_____

48(a). What is the staff strength of your organisation? _____

(b). How many of this is:

Administrative staff: _____

Technical experts: _____

Management experts: _____

(c). How many are directly involved in providing assistance to small firms? _____

49. How do you extend your services to other parts of the state (country)? _____

50. Do you charge any fee for rendering your service to small firms? Yes / No.

(a). If yes, how much (minimum, and maximum)? _____

(b). What criteria do you use in charging for your services? _____

(c). If no where do you find the revenue to finance your small firm promotion activities? _____

(d). If your source is mainly Government subvention, how much did you receive annually for the past five years (or less if established recently)?:

<u>year</u>	<u>Amount</u>
1. _____	_____
2. _____	_____
3. _____	_____
4. _____	_____
5. _____	_____

(e). Do you consider this adequate for the functions you are supposed to undertake? Yes / No

(f). Do you have separate funding for providing consultancy and related services to small firms? Yes / No

(g). If yes, how much over the past five years?

<u>year</u>	<u>Amount</u>
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

(h). Do you think funding of small enterprise agencies generally should be improved? Yes / No If yes, why? _____

51. Do you have any line of contact with other small firm promotion agencies in the State/country? Yes / No

(a). If yes, which agencies? _____

(b). What type of contact (e.g. consultative, advisory, informing, etc) do you have with the agencies mentioned? _____

(c). How often do you contact these agencies? _____

(d). Do you share information, ideas, and experiences with other agencies in the service of the small firm sector? Yes / No

(e). Is your contact relationship official and permanent? Yes/ No

52. What type(s) of assistance do you think is most needed by small firms in the country? _____

53. What to your mind is the best way of providing information/
assistance to small firms in Nigeria? _____

Thank you.

Personal Observations:

- 1. *Receptivity of respondent to questions* _____

- 2. *Environment and location of Agency* _____

- 3. *Personnel: qualification and readiness.* _____

- 4. *Working facilities* _____

- 5. *Internal organisation* _____

INFORMATION AND SMALL-SCALE ENTERPRISE DEVELOPMENT

IN BORNO STATE

Dear Entrepreneur,

My sincere thanks for your cooperation in participating in this research. This research aims at identifying the availability of information (support) to small firms in Borno State. To make the research useful to small firm development, it became necessary to find out the real problem(s) of starting and running small firm in the State and obstacles to making effective use of available services. This will only be possible with your active involvement as an owner/manager of a small firm.

The research is undertaken as part my thesis towards the degree of PhD. I shall be very gratefull if you could please accept to be interviewed. All information you give me will be in confidence and no part of it shall be used for other than the purpose of the research and with your full consent. In no place shall I make any direct reference to you or your campany by mentioning names if you object.

Thank you.

Sincerely yours,

SHETTINA A. ALI

Identification Questions

Name of Business _____
Main manufacturing activity _____
Location of Business (town) _____
Number of employees, skilled _____ non-skilled _____
Education of owner/manager _____
Pre-business ownership experience _____
Year business was started, 19 _____
Type of ownership _____
Respondent's position in the firm _____

Research Questions

1. What is your major objective in business ownership? _____

2. What motivated you to start running your own business? _____

3. How did you choose what type of business to go into? _____

4. What problems (if any) did you encounter when you were thinking of starting your business? _____

5. What problems (if any) did you encounter during your start-up period: _____

6. What problems did you have to face during the first few months (say between 1 - 12 months of your startup? _____

7. What are your problems currently? _____

8. How did you solve the problems mentioned
(a). at the pre start-up period? _____

(b). during the start-up period? _____

(c). how do you plan to solve your current problems? _____

9. On how much capital did you start? _____ How much was
borrowed? _____ and how much was yours? _____

10. What was the major source of your start-up capital? _____

11. What sources do you use currently for meeting your financing
needs? _____

12. What is the present financial standing of your business? _____
How much liabilities? _____ and how much assets? _____

(a). What are your assets made of? _____

(b). What are your liabilities made of? _____

13. What to your opinion is (are) the obstacles to the growth of your
business (if you are not satisfied with its growth rate)? _____

14. What type of difficulties, if any do you face in undertaking your business currently? _____

15. Is this the same since start-up? Yes / No

If no what were your main difficulties during start-up period and the early years? _____

16. What types of information did you need more often during the early period of start-up? _____

17. What changes in information need did you experience after the first year or two of your Start-up? _____

18. Information in what areas do you need more often now? _____

19. Do you come across desired information with ease? Yes No

If no what difficulties do you normally face in getting information? _____

20. Why do you think you have these difficulties? _____

21. What do you consider as the constraints to greater success in your business? _____

22. What do think of your ability to make the business grow? _____

23. Have you ever attended any management development courses? Yes No
What is the nature of the course if yes? _____

(a). Where did you attend the course? _____

(b). What motivated you to attend the course? _____

(c). If no, why? _____

24. Do you normally plan your business undertaking? Yes No
If yes,

(a). what types of plans do you undertake? _____

(b). for how long is your plan? _____

(c). who undertakes the planning? _____

(d). what information do you need for planning? _____

(e). where do you obtain the information for planning _____

If no, why? _____

25. Before starting this business did you have a plan, or a feasibility report to tell you of its viability? Yes / No

(a) If yes, who's assistance did you require in preparing it for you? _____

(b). If No, how did you go about establishing the firm and with who's assistance? _____

(c). What sources of information did you have to use in helping you getting started? _____

26. What sources do you normally consult for obtaining information in the need areas you've mentioned? _____

27. Do you normally anticipate information need or difficulties in operation of any kind and plan for taking care of it before the need arises? Yes No

28. How often do you search for:

(a). General information of long-term importance that may facilitate anticipating planning information need? _____

(b). specific information in relation mainly to solving some specific needs? _____

(c). generally, what is the nature of information you often seek? _____

29. Do you keep any record of information that you may have received or gathered for which no immediate need is realised? Yes No

(a). If yes, what type of record? _____

(b). If no, how do you retrieve such information if a need for it arose again? _____

30. How do you go about finding information sources for solving your problems in running your business? _____

31. What is (are) the most essential element that influences your preference for particular information sources? _____

32. What sources are most important in meeting your information needs in the various areas you mentioned before? _____

33. Which sources do you use often for information needs you have mentioned? _____

34. Do you know of any business development agencies around? Yes No
If yes, which? _____

35. What services do you think are available in these agencies you've mentioned? _____

36. How did you come to know about them? _____

37. Have you tried to contact any of the agencies? Yes No
If yes, What for? _____

If no, why? _____

38. What was your experience with your attempt to use the agencies if you have had attempted? _____

39. What do you think generally of small enterprise agencies in the country? _____

40. What do you think of the role of the government in the success of the small business in the country? _____

41. Do you think you are constrained in any way by government policies in attaining growth in your business? Yes / No.
If yes, what policies? _____

42. What financial records do you keep? _____

43. What do you use these records for _____

44. If you don't keep any records why? _____

45. How did you establish your market contacts? _____

46. At what capacity are you operating now? _____

47. How and where do you find employees to recruit? _____

48. How do you compensate your employees? _____

49. Did you ever have any marketing problems? Yes / No

If yes, what problem did you have? _____

50. Assistance in what areas did you ever need? _____

51. Were you able to find assistance as you required? Yes / No

(a). If yes where did you find this assistance? _____

(b). If no why? _____

52. How did you know that the source you've mentioned is the one to solve your problems? _____

53. What do you think would benefit the small enterprise sector most that you may want the Government to do? _____

54. How do you normally gather information for developing your business? _____

55. What type of contact do you prefer in receiving information? _____

56. If were to need assistance from any of your sources how would you normally contact them? _____

57. Why would you prefer to use the channel of contact you've mentioned? _____

Thank you.

Observations:

1. *Entrepreneur: background, general awareness of his business' environment* _____

2. *Location of business* _____

3. *Factory layout and production* _____

4. *Product quality* _____

5. *Organisation of business* _____

6. *Employees' background and readiness and motivation* _____

7. *Management ability in running the business* _____

8. *Entrepreneur's readiness in responding to questions* _____

9. *Other* _____

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